FINANCIAL TIMES

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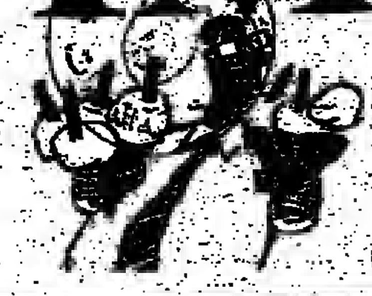


Business travel
Jet lag? Try ice cream
Michael Skapinker, Page 14

World Business Newspaper http://www.FT.com MONDAY SEPTEMBER 30 1996

Lebed calls for Yeltsin to yield leader's powers

Russian security chief Alexander Lebed says President Boris Yeltsin should hand over his executive powers officially until he has recovered from his planned heart operation. Dr Renat Akchurin, who will perform the operation, revealed that the Russian leader ignored medical advice during his summer election campaign, but his condition was now improving. Page 18; Russian papers all heart, Page 3

Crunch for Eurotunnel talks: The president of France's commercial court will intervene in Eurotunnel's refinancing talks this week if the Anglo-French Channel tunnel operator fails to reach agreement with its banks by today. Page 19

Mercedes workers down tools: Twenty thousand Mercedes-Benz workers called e full-day strike in support of German unions' fight against cuts in sick pay entitlement. Page 18

UN special envoy visits Afghanistan:

United Nations special envoy Norbert Holl (left) was greeted at Kabul airport by Mullah Hafizullah (centre), protocol chief of Afghanistan's victorious Taliban Islamic movement. After meeting Taliban leaders, Mr Holl said they were ready to continue talking to the UN but unwilling to offer human rights guarantees. Yesterday Gen Abdul Rashid Dostum, e warlord controlling much of northern Afghanistan, refused to recognise the Taliban administration in Kabul. Meanwhile, Afghan government employees were ordered to grow beards or face punishment.

Bosnia results stand: International officials certified the results of Bosnia's imperfect general elections, paving the way for the multi-ethnic institutions meant to re-unify the war-torn country. Page 3

Warning on household goods: Third-quarter results at Sweden's Electrolux and Whirlpool of the US will suffer because Europeans are turning to lower-priced, non-branded household appliances. Page 19

Bhutto heads for IMF talks: Pakistani prime minister Benazir Bhutto headed for the US yesterday to try to persuade the International Monetary Fund to revive stalled payments on a $600m standby loan. The IMF suspended a third tranche of the loan because of dissatisfaction with Pakistan's June budget. Page 4; IMF meeting, Page 6

Chief quit over reforms: Alan Smith resigned as head of Jardine Fleming because he was unhappy with restructuring plans for the Hong Kong-based investment bank in the wake of a trading scandal. Page 21

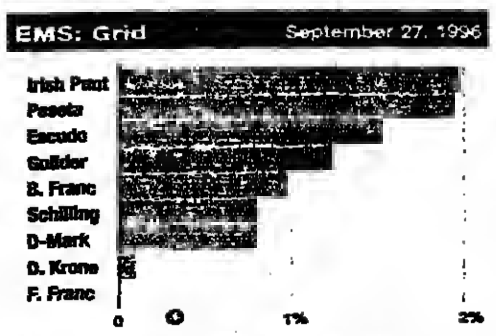
Rao due in court: Former Indian prime minister P.V. Narasimha Rao is due in court today to face criminal charges that have shaken the ruling coalition and depressed stock prices. The case involves an alleged ettempt to cheat an expatriate Indian businessman of $100,000. Page 18; India's priority, Page 4

French teachers strike: French teachers' unions were predicting strong support for e strike which is expected to close more French schools today. The action is over government plans to axe about 2,300 education jobs.

Suu Kyi accused: Burma's military rulers accused democracy leader Aung San Suu Kyi and her main supporters of breaking their laws as troops continoed to blockade her house.

European monetary system: The overall weakness of the D-Mark last week meant that the range of the system's nine member currencies converged to within 2 per cent. The Irish punt replaced the Spanish peseta as the strongest currency, while the D-Mark slipped below the Austrian schilling. Currencies, Page 27

EMS: Grid September 27, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

FT.com: the FT web site provides online news, comment and analysis et http://www.FT.com

Clinton intervenes in move to revive peace process after unrest in which 70 died

US calls summit over Mideast

By Judy Dempsey in Jerusalem and Jurek Martin in Washington

President Bill Clinton last night invited Middle East leaders to an emergency summit at the White House this week in an effort to revive the peace process. His intervention came as Israel reopened the tunnel in the old city of Jerusalem, the issue that triggered last week's unrest in which at least 70 people died.

Mr Clinton yesterday invited Mr Benjamin Netanyahu, Israeli prime minister, and Mr Yassir Arafat, leader of the Palestinian Authority, as well as King Hussein of Jordan and Mr Hosni Mubarak, Egyptian president, to the White House.

Last night there was uncertainty over the participation of Mr Arafat and Mr Mubarak. Mr Arafat is today to travel to Cairo to see Mr Mubarak, who is seeking more concrete measures from Israel. The Egyptian reluctance has delayed acceptance by Mr Arafat who yesterday said he wanted "a five-way participation".

Last week the Egyptian president unsuccessfully tried to broker an agreement for a summit meeting between Mr Netanyahu and Mr Arafat.

Mr Netanyahu yesterday insisted that Mr Arafat had to "keep up his end of the bargain" if the summit was to produce dividends.

Mr Clinton's initiative was unveiled in a brief announcement following clashes between Israeli troops and Palestinians. He described last week's event as "all the more shocking" because both sides had undertaken "giant steps" towards peace in the past two years.

In US television interviews and in statements released by his government in Jerusalem, Mr Netanyahu said Mr Arafat "must police his own [Palestinian] police" if Israel were even to consider redeploying its forces in the West Bank towns of Hebron and Nablus.

Netanyahu seeks to regain the initiative .... Page 5

Mr Warren Christopher, US secretary of state, refused in a television interview to apportion blame for the recent clashes. However, he agreed the peace process was "in jeopardy" and warned it would be wrong to expect "a miracle" in tha Washington talks. He was implicitly critical of Israeli suggestions that the Palestinian police be disarmed, adding that Mr Netanyahu "must understand that in the long term Israel is better off with good relations with its neighbours".

There are widespread US reservations about the intransigence of the new Israeli government. Although the US did not publicly join European nations in demanding that Israel close the archaeological tunnel in Jerusalem, Mr Christopher is understood to have conveyed similar views in his many telephone conversations with the Israeli government.

A statement released by Mr Netanyahu's office said the meeting in Washington was called "in order to bring concrete results ... to end the violence in the area and to accelerate the peace negotiations". Mr Netanyahu, however, is under pressure from advisers and the far right wing in his governing Likud coalition not to make any concessions.

The opposition Labour party, sections of public opinion and Mr Ezer Weizmann, president of Israel, have urged the Israeli leader to salvage the peace process. Yesterday, Israeli Radio reported criticisms from Mr Weizmann who said Mr Netanyahu had made errors of judgment over the past few days, views echoed by senior military officers and Mr Yitzhak Mordechai, defence minister.

Mr Arafat said that closing the tunnel exit "would show prudent judgment". Israeli soldiers were yesterday guarding the tunnel after it was reopened.

US President Bill Clinton: announced *Mideast summit*

EU chief plans attack on Brussels patronage

By Lionel Barber in Brussels

Mr Jacques Santer, president of the European Commission, plans an administrative shake-up which will include releasing the stranglehold of national patronage in top-level appointments.

The changes, to be revealed soon, will be the first effort in 15 years to introduce minimum public administration standards.

But they face opposition from member states and a coterie of commissioner "barons" and their cabinet staffs who have exploited a cosy share-out of top posts in the 15,000-strong executive.

The shake-up will mark a break with the era of Mr Jacques Delors, who devoted his talents to promoting big ideas such as the single market and monetary union rather than "cleaning house" in Brussels.

Commissioners whose practices are under scrutiny are Sir Leon Brittan, chief trade negotiator, and Mr Martin Bangemann, the long-serving German commissioner responsible for industry, a senior official said.

The changes come as the EU is preparing to negotiate larger membership at the turn of the century with central and east European states.

One senior official said: "We cannot possibly continue operating as we are doing now because we would have total paralysis in a bigger union."

The plans include breaking the system of horse-trading among member nations for top posts below director-general, the most senior civil service rank, which often blocks promotion on merit and leaves top jobs unfilled for months.

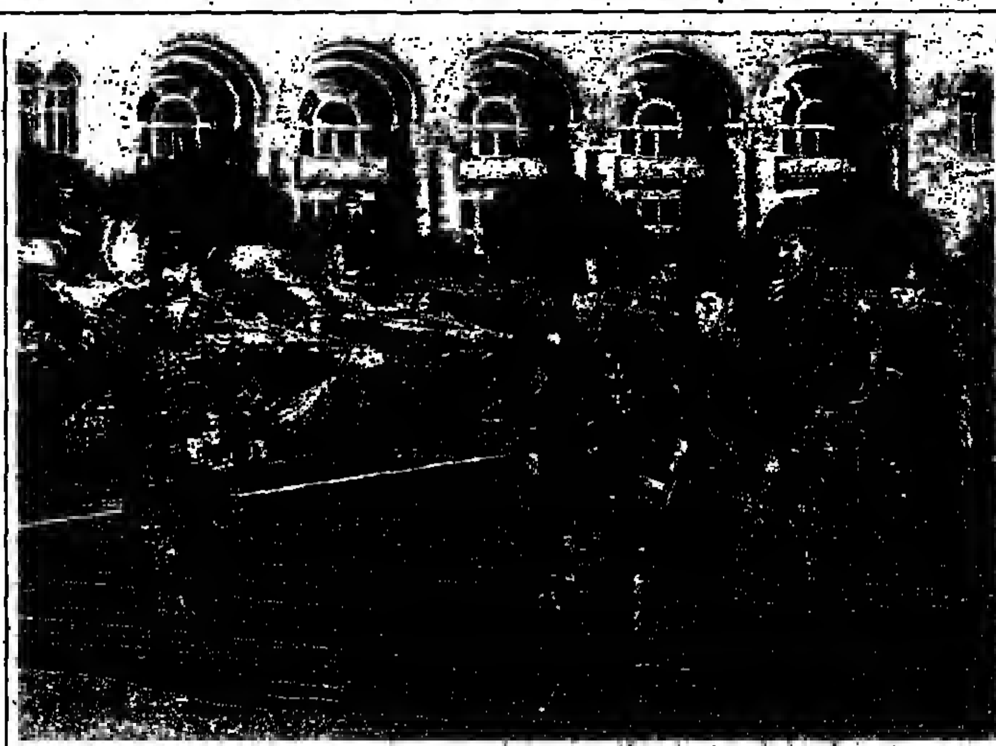
However, they do not involve the formal national quotas for the appointment of commissioners and directors-general.

Mr Santer will also tackle the practice of outsiders being promised automatic promotion or a job for life in the bureaucracy after they have served in commissioners' cabinets.

Another problem to be dealt with is top officials being too busy or too lazy to carry out serious career or job performance assessments of staff.

One senior official said: "Because of this everybody in the commission is rated as a genius."

Mr Santer's advisers also believe the commission's approach remains anarchic. Individual commissioners plough their own furrows, particularly in foreign and trade policy.



Armenian troops remain on alert

Troops remained on patrol yesterday in the central square of Yerevan, the capital of Armenia, as the full results of the former Soviet republic's presidential elections were disclosed. The troops have pulled back from other streets in the city.

There have been allegations of irregularities in the contest, in which president Levon Ter-Petrosian was returned with a narrow majority. Violence erupted in the capital last week when demands for a recount were rejected by the country's Central Election Commission. Final figures released yesterday gave Mr Ter-Petrosian victory over his main opposition rival with 51.75 per cent of the vote. Report, Page 2

Picture: Reuter

Spanish PM pledges to meet Emu targets

By David White and Tom Burns in Madrid

Spain is prepared to take whatever measures are needed by the end of next year to meet the conditions for joining the European single currency, Mr José María Aznar, the country's prime minister, said.

"I am absolutely sure that Spain will be there," he said, but warned that Europe should not risk letting the single currency drive a wedge between northern and southern members.

Mr Aznar's firm declaration of intent coincides with a tough 1997 budget, the first since his centre-right government came to power through elections in March. The budget, being presented to parliament today, aims to cut Spain's overall public sector deficit to 3 per cent of gross domestic product, the target level for monetary union.

He described his commitment to monetary union as "absolutely irreversible" and said Spain was not seeking a delay in the 1999 start-up date or a loose interpretation of the criteria for qualifying.

"I don't want a delay," he said. "I think the conditions should be met for launching the single currency on the target date."

In an attempt to strengthen the credibility of Spain's hopes of qualifying, Mr Aznar said he was not interested in a joint approach with Italy and had made this clear in a recent meeting with Mr Romano Prodi, Italian prime minister. Each candidate country would have to fend for itself, he said.

Whether the criteria on inflation, deficits, interest rates, debt and currency stability were interpreted flexibly was "a political decision". He

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Finance ministers back measures to strengthen growth

Financial Times Reporters in Washington

Finance ministers from around the world yesterday renewed their commitment to strengthening growth by cutting government borrowing, controlling inflation and undertaking structural reform of their economies.

The Interim Committee, the ministerial committee which sets policy for the International Monetary Fund, endorsed the new strategy which builds on the declaration it adopted two years ago in Madrid.

Mr Michel Camdessus, IMF managing director, said the Madrid declaration remained "a valid and useful point of reference for our co-operative strategy to strengthen the global expansion".

The ministers agreed the strategy needed to be broadened to give greater emphasis to the need to reform public sector finances, reduce the fragility of banking systems and avoid currency misalignments.

Mr Camdessus said economic activity was likely to be stronger in 1997 in the industrial countries, and many emerging economies were likely to continue their robust performance. Ministers and central bank governors of the Group of Seven leading industrial nations, meeting in Washington this weekend before the annual meetings of the IMF and the World Bank, said the current structure of exchange rates was much better aligned with economic fundamentals than in the past.

German financial officials warned that exchange rates could be disrupted by any delay in the introduction of the single European currency.

Mr Hans Tietmeyer, president of the German Bundesbank, said European monetary union was no longer a matter only for the Europeans but of concern also to the US and Japan, because the new European currency would take the place of the D-mark as a major international reserve currency.

G-7 ministers also cleared the way for formal approval of a plan to reduce the debt of some of the poorest countries by endorsing proposals for more generous relief from the Paris Club of official government creditors.

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Albania	Lek275	Gibraltar	£0.75	Lithuania	Lts 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh16	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira120	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£60.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils750	Portugal (m'land)		Turkey	L120,000
Germany	DM4.00	Lebanon	US$3.00		Esc350	UAE	Dh13.00

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NEWS: EUROPE

Belgian debt mountain to be reduced to help meet Maastricht criteria

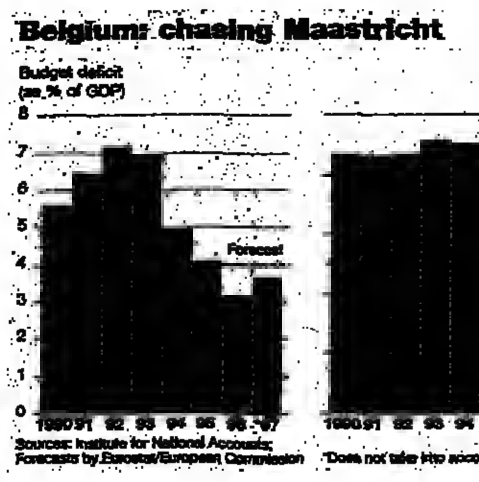
Dehaene to present Emu budget

By Neil Buckley in Brussels

Belgium is to use BFr236bn ($7.7bn) of foreign exchange reserves to reduce its debt mountain, as part of a controversial package of measures to be revealed tomorrow to ensure the country meets the convergence criteria for monetary union.

Mr Jean-Luc Dehaene, prime minister, will also announce unpopular reforms of the pensions system, cuts in child allowances, and a range of indirect tax increases designed to take Belgium's budget deficit below the required 3 per cent of GDP next year.

Mr Dehaene will present what Belgians call the "budget of the century" to parliament, but MPs cannot overturn it, as the Christian Socialist premier won temporary special powers in the summer – unique in the European Union – to legislate by decree on budgetary matters. Those powers will allow adoption of the budget within days, and give Mr Dehaene scope to introduce further measures any time Belgium appears in danger of overshooting the Maastricht targets.



Sources: Institute for National Accounts; Forecasts by Eurostat/European Commission
*Does not take into account planned-cuts

The prime minister may however face more bruising battles with Belgium's unions, which called protests in several cities last week after news of the pension reforms leaked. His five-week budgetary "summit" with senior ministers has also imposed severe strains on his centre-left coalition government.

The BFr100bn of budgetary measures – comprising BFr80bn required to hit the 3 per cent deficit target, plus a BFr20bn "safety margin" – is expected to be split evenly among social spending cuts, efficiency improvements, and indirect tax increases.

Pension reforms include harmonisation of the retirement age, currently 65 for men and 60 for women. Child allowance changes are likely to remove supplementary benefits for children over six.

Excise taxes will be increased, with a BFr2 per litre tax on petrol. There is likely to be particular resentment at the introduction of tax on the value of previously tax-free savings deposits – popular with pensioners.

Socialists in the government are said to have insisted on this measure, seen as a tax on wealth, to counterbalance social security changes likely to hit the less well-off.

The government also plans to find BFr30bn through a crackdown on fiscal fraud, and cuts in administrative expenses.

As important as cutting the deficit is bringing down Belgium's BFr9,828bn debt mountain. With debt at 133.5 per cent of GDP last year, it has no chance of reaching the 60 per cent Maastricht target. But Mr Dehaene will announce one-off measures to reduce the ratio to 127 per cent next year – a 10-point decrease over four years. He hopes that will persuade Belgium's EU partners the debt is on a firmly downward trend.

The biggest proposal is to use a BFr236bn foreign exchange surplus built up on central bank gold operations to reduce foreign debt.

Much of the rest of the required BFr360bn will come from privatisations. BFr25bn to BFr30bn will be raised from selling half the government's remaining 50.1 per cent stake in ASLK-CGER, a banking and insurance company, either to Fortis, the Belgo-Dutch financial group which owns 49.9 per cent, or on the stock exchange.

TV game shows face euro test

By David Owen in Paris

TV game shows should be encouraged to give the value of their prizes in euros as well as national currencies as part of a promotional campaign ahead of the introduction of Euro notes and coins in 2002.

This is one of the more eye-catching recommendations of a 70-page report on legal aspects of the switch to a single currency published recently by French lawyers.*

The report paints a generally optimistic picture of the transition – arguing, for example, that the continuity of contracts denominated in national currencies "seems to present no problems".

But it warns of possible difficulties with contracts denominated in Ecus: "The question is how to know in which currency and for what value obligations denominated in Ecus falling due after January 1 1999 should be paid because from that date the Ecu will no longer exist."

It also points to the need to provide a plan to combat attempts to counterfeit the new currency.

The promotion of the euro should start "in a massive way" in 2000, one year after it is introduced as a unit of account, but two years before the appearance of euro notes and coins.

Companies would have to provide for the training of their staff, "with their own funds but also with external help" from national governments or the European Union.

Shop prices should be displayed in both euros and national currencies from 2000, with the same principle applying to salary slips and bank services.

* *Aspects Juridiques du Passage à la Monnaie Unique; Délégation des Barreaux de France, 1 Avenue de la Joyeuse Entrée, B-1040 Brussels. Tel: (322) 230-83-31.*

EU in accord on rules for telecoms licensing

By Caroline Southey in Brussels

The EU has agreed rules for licensing telecommunications operators when the sector is fully liberalised in 1998.

Telecommunications ministers have settled differences over what criteria should be applied for granting licences to international and EU-based operators seeking access to the union's market.

The aim of the licensing regime is to minimise bureaucratic barriers to entry into the liberalised market and to create conditions for a single market in telecommunications.

"This gives the sector transparent criteria and procedures for complaint which is a major advance on what we have across the union at present," an EU official said.

Operators will be entitled to standard on-demand licences for all services, including voice telephony and data and picture transmission.

Member states can only issue individual licences under four conditions: to give a licensee access to radio frequency or numbers; to give the licensee particular access to public or private land; to impose obligations for providing universal service; to make sure competition rules are respected if the licensee holds a "significant share of the market".

EU countries will only be allowed to refuse individual licences if they can prove that there is, in the case of mobile operators, a scarcity of radio frequencies or a temporary shortage of telephone numbers. A number of countries are revamping their national numbering schemes to overcome a shortage of numbers.

A deal was struck last Friday after Denmark, Finland, Sweden and the UK agreed to demands from some other member states that a shortage of telephone numbers should be added as one of the criteria for refusing licences.

Belgium and Luxembourg gave way on their demand that size of the market should be included as an additional criteria for blocking access to the market.

"We have won 95 per cent of what we set out to achieve," said an EU official.

However, officials admitted their regulation was flawed as ministers rejected the idea of a "licensing committee" to police the award of licences. "It is now unclear what will happen if somebody feels a country has not applied the directive appropriately," the EU official said.

Under the rules member states will be able to continue using national licensing regimes as long as they grant the same level of access.

A number of countries, such as Sweden and the UK, already grant full access to their markets.

Italian right balks at tax rise

By Robert Graham in Rome

Opposition parties in Italy raised a chorus of protests over the weekend at the heavy extra tax burden announced by the centre-left government on Friday in the 1997 budget.

But the attacks of the opposition were offset by a general welcome for the efforts of Mr Romano Prodi, the prime minister, to cut the budget deficit to 3 per cent of GDP by the end of 1997 to be able to participate in European Monetary Union. All main parties favour Emu and are anxious not to be left on the sidelines.

The government changed its stance at the last minute and for the first time in post-war history decided to raise the amount it was seeking in taxes and spending cuts. This move was also welcomed across the board including within the business community even though serious doubts were raised about the quality of the budget itself.

The budget – conceived in two phases – aims to find L62,500bn ($41bn) in new taxes and spending cuts plus some creative accounting. This will be done in two phases: first in measures approved before the end of this year totalling L37,500bn and then, early next year, with a special one-off tax – dubbed the "Maastricht tax" – of L12,000bn. A further L12,000bn-L13,000bn will come in the form of treasury accounting measures that could include transfer of funds held by companies in their reserves for severance payments of employees.

It is clear that the approximately 5m Italians at the top end of the middle class will bear the burden of the new taxes. These would hit house ownership on a sliding scale of size, company fringe benefits such as car allowances and contributions on income testing to the health service. The most unpopular rise so far announced is the almost 10 per cent rise in the annual property tax.

The opposition, headed by Mr Silvio Berlusconi, the leader of the rightwing alliance, claimed Italians were being asked to pay an unacceptable tax burden which was contrary to the electoral pledges of the cente-left. The populist Northern League rejected the new tax outright and threatened a new campaign of non-payment.

Business associations and traders were also concerned that, by opting for fiscal measures rather than more spending cuts, the government could damp the economy when it needed to be encouraged to shake off what has almost amounted to a recession this year.

The government has announced that over L4,000bn, part of the budget, will come in as yet unspecified taxes. But probably these could take the form of rises in VAT and petrol taxes. On savings, the axe will fall across the board but pensions will be not be touched except where special privileges exist. The biggest cut will be almost L5,000bn in transfers to local authorities.

INTERNATIONAL NEWS DIGEST

Six Telstra directors quit

The federal government of Australia yesterday asked six directors of Telstra, Australia's state-owned telecommunications carrier, to resign and replaced them with five new appointees.

Mr Richard Alston, communications minister, said the new board members had the talent and skills to prepare Telstra for the challenge of open competition and the proposed part-privatisation.

Australia's conservative coalition government is attempting to pass legislation which would allow it to sell one third of Telstra, but is meeting opposition in the Senate. The Australian telecommunications market is to be opened to full competition from July 1997.

The new board members include Mr John Ralph, former chief executive of the mining company CRA, who will become deputy chairman, and Mr Ross Adler, chairman of the oil and gas company Santos. *Bethan Hutton, Sydney*

Tamil Tiger bastion falls

Sri Lankan security forces captured the last bastion of Tamil Tiger guerrillas after a week of fighting that left dead 255 government soldiers and an estimated 750 rebels, the defence ministry said yesterday.

Troops smashed defences of the separatist Liberation Tigers of Tamil Eelam (LTTE) and took control of the town of Kilinochchi, headquarters of the LTTE in the north of the country, a military spokesman said.

The battle for Kilinochchi was launched on September 22 with the deployment of some 20,000 government troops backed by tanks, artillery and aircraft. Military analysts said the fall of the town was a significant breakthrough in the fight against the LTTE. *Amal Jayasinghe, Colombo*

Asean to delay Burma entry

Foreign ministers from the Association of South-east Nations (Asean) have decided Burma's entry into the organisation should be delayed indefinitely. The move, coming in the wake of another crackdown on pro-democracy activists at the weekend, is a big blow to the military regime's quest for international legitimacy.

The decision, made during a foreign ministers' meeting at the opening of the UN General Assembly in New York, will be conveyed to Asean heads of state when they meet informally in Indonesia on November 30. The heads of state themselves are likely to ratify the decision, diplomats said.

The Philippines and Thailand led the push for delaying membership, citing the fluid political situation in Burma and the desire not to burden the organisation with unnecessary problems.

Mr Ali Alatas, Indonesian foreign minister and a staunch defender of the Burmese junta, publicly supported the move, saying there was no reason to rush membership for Burma, especially with both Cambodia and Laos set to join next year. *Ted Bardacke, Bangkok*

Scandex auditors resign

The Copenhagen branch of Deloitte & Touche, the accountancy firm, has resigned as joint auditor of Scandex Capital Management, a Danish-based company promoting high-risk currency schemes to private investors across Europe.

As a result of a half-year audit undertaken in August, Deloitte and joint auditor City Revision, a Copenhagen firm, concluded they could no longer act as auditors for Scandex and resigned on September 19. Scandex is one of several companies which solicit customers through cross-border "cold calls" and direct mail to engage in high-risk currency trades. *Clay Harris, London*

Armenia poll result confirmed

Final figures released by the Armenian Central Electoral Commission yesterday gave President Levon Ter-Petrosian victory over his main opposition rival with 51.75 per cent of the vote.

Troops and tanks pulled back from the main streets of Yerevan, the Armenian capital, before final results last weekend's presidential election were announced.

The count – little changed from provisional figures released last week – means there is no need for a run-off ballot between the two top candidates. Second-placed Mr Vazgen Manukyan took 41.29 per cent. International observers said there had been problems, but stopped short of calling the election unfair. Some said the irregularities might have been enough to tip Mr Ter-Petrosian over the 50 per cent needed to win in the first round. *Reuter, Yerevan*

Japanese novelist dies

Mr Shusaku Endo, one of Japan's best-known novelists and winner of virtually every big Japanese literary award, died yesterday aged 73.

Endo won international acclaim. Critics said that as a Roman Catholic, he offered a unique view of Japan to the outside world. He was known at home both as a serious author of novels and plays on religious themes and as a humourist.

Doctors at the Tokyo hospital in which he was staying said that he died from respiratory complications caused by hepatitis. "Shiroi Hito" (White Man), published in 1955, brought him the Akutagawa Prize. *Reuter, Tokyo*

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R F J

Meeting this week on rebuilding institutions

Bosnia's election results certified

By Laura Silber in Sarajevo

International officials last night certified the results of Bosnia's imperfect general elections, paving the way for the establishment of the multi-ethnic institutions meant to re-unify the war-torn country.

The elections heve been surrounded by controversy over both the count and the failure to implement key elements of the Dayton peace agreement.

But now the results are certified, the next phase of the year-long Dayton plan aimed at joining Bosnia's two halves, the Moslem-Croat Federation and Republika Srpska, the Serb entity, in a loose union, can get under way. The representatives to the new three-man collective presidency are expected to meet early this week in Sarajevo, although they have yet to agree on a venue or a time – the part of the Federation under Moslem control yesterday set its clocks back an hour while the Bosnian Serb and Croat-held areas remained on the same time.

Mr Alije Izetbegovic, the Moslem-elected chairman of tha presidency after narrowly edging out Mr Momcilo Krajisnik, his Serb counterpart, must meet Mr Krajisnik and Mr Kresimir Zubak, a Croat, within four days of the certification of election results. Mr Krajisnik objects to a meeting in Sarajevo, until last year's Dayton agreement besieged by Serb guns. The presidency and the joint Bosnian legislature were elected on September 14 in the poll overseen by the Organisation for Security and Co-operation in Europe.

Mr Robert Frowick, head of the OSCE mission to Bosnia, said at the weekend he considered the resnlts "imperfect" hut "acceptable". The poll was held in spite of the ebsence of freedom of movement and the right of return for refugees to their homes, required under the Dayton accords.

The International Crisis Group (ICG), an independent monitoring agency, said yesterday that "it would be wholly irresponsible to certify the elections as valid or as free, fair and democratic", particularly after the OSCE spurned a call for a recount by the tribunal it had appointed to assure fair play.

Citing e "suspiciously high" voter turn-out and "intentional spoiling of ballots", the ICG said: "Massive fraud cannot be ruled out." It said: "Fraud at counting stations was undoubtedly committed," claiming a turnout of 95 per cent in Visegrad and 110 per cent in Cajnice, Serb-held towns.

Indeed, the OSCE's own tribunal said: "Inadequate supervision of the count in Serb-held Cajnice resulted in the opportunity for additional acts of fraud."

Drop in savings raises hopes for French growth

By David Owen in Paris

The French look set to save a significantly lower proportion of their disposable income in 1996, in a development that may have a favourable knock-on effect for the country's sluggish growth rate.

Economists are projecting an average savings ratio of between 12.5 per cent and 12.7 per cent in 1996, a sizeable reduction from the 14.3 per cent level of 1995.

If this money goes into consumption, it may provide a welcome and much-needed boost for the economy, which has been hit this year by low investment and unexpectedly slow export growth.

However, economists expect savings levels to stabilise at around this year's levels in 1997.

This suggests any stimulus felt this year would not be repeated.

After the depressed second quarter, when the savings ratio is thought to have climbed back towards 13 per cent from 12.4 per cent in the first three months, economists are now calling for a renewed downturn in the quarter just drawing to a close.

Mr Serge Le Gal, an economist with Caisse des Dépôts et Consignations, the state-owned financial institution, predicts a third-quarter figure of 12.4 per cent.

This downturn would probably be linked to higher than normal spending on cars, as consumers scrambled to take advantage of a government incentive scheme due to end today. Preliminary indications from the Comité des Constructeurs Français d'Automobiles, a trade body, suggest that September car registrations will total about 210,000 units, compared with 115,000 in September 1995 and 172,400 last month.

Under the scheme, buyers of new cars have been offered a bonus of FFr5,000-FFr7,000 ($986-$1,380) for trading in a vehicle at least eight years old.

Economists are divided over the reasons for this year's expected reduction in savings rates.

EUROPEAN PRESS REVIEW

Russian papers are all heart

RUSSIA

By Chrystia Freeland

This week, heart surgery replaced torrid Latin American soap operas as Russia's favourite topic of conversation. Detailed anatomical drawings of the heart and its main arteries have taken over the television screens and newspapers as Russians struggle to learn how long their recently re-elected president will be fit to rule. The president's health is now a subject about which voters believe they can legitimately demand information.

The current wave of *glasnost* has highlighted a sea-change in Russian political life. Two or three years ago, it was possible to to reduce the riot of Russian politics into a clear-cut struggle between democrats and communists, reformers and reactionaries, without doing too much violence to the truth.

Though many politicians still cling to this comforting dichotomy, it is rapidly becoming irrelevant. Instead, Russia is being split into those who back the current regime, and everyone else.

This new battle line was clear in the newspapers, whose coverage of Mr Boris Yeltsin's illness this week was guided by specific political loyalties rather than abstract moral principles.

Consider *Sevodnya*, the classy Moscow daily which built its reputation as the voice of the liberal, democratically-minded intelligentsia. This summer, Sevodnya strenuously backed Mr Yeltsin's re-election bid on the grounds that, so long as the nation faced the threat of e Communist comeback, journalistic neutrality was an impermissible luxury.

The Communists were trounced, bnt many of Sevodnya's writers eppear reluctant to surrender their cosy ties with the Kremlin. Last week, amid a barrage of fresh revelations about the president's health, Sevodnya ran a front-page column by Tatiana Malkina castigating the Russian and western press for subjecting Mr Yeltsin to such unseemly scrutiny.

In the president's chair: the pro-Communist paper Soviet Russia sees Mr Yeltsin's operation as an opportunity for his unpopular chief of staff, Anatoly Chubais, to gain power

The piece begins by ridiculing ordinary Russians for their interest in their leader's condition: "The cashier in the supermarket, with an impassioned whisper, tells her mate that, ectually, the president needs to have his feet amputated and the old ladies, seemingly having forgotten about their meagre pensions, simply pity the man with heart troubles."

However, demonstrating the breakdown of old categories of pro-western liberals and anti-western reactionaries, the columnist's real ire is directed towards the west. After observing, in shocked tones, that western journalists have challenged the restrained coverage of Mr Yeltsin's illness in many Russian newspepers, Ms Malkina lets her readers in on the real reason why the Kremlin leader's heart condition has made headlines abroad: foreign reporters are bored.

"Of course, the intoxication of our western colleagues is, from a human point of view, understandeble: over the past 20 years the work of foreign journalists in Russia has offered e hot combination of timely subject matter, exoticism and danger which has had the eddictive powers of e narcotic ... Now, it has become boring."

Not all Russian liberals have followed Ms Malkina's decision to put political loyalty above hard-hitting journalism. Mr Boris Pankin, a prominent Russian democrat who briefly served as Mr Yeltsin's foreign minister, takes the opposite tack in a fierce opinion piece which was published last Thursday in *Obshchaya Gazeta*, a weekly newspaper.

Like Ms Malkina, Mr Pankin attacks the west, but his complaint is that western journalists and political leaders have been complicit in the Kremlin cover-up of Mr Yeltsin's health problems.

A former Soviet diplomat who rose to pnblic prominence when he denounced the hardline coup plotters in 1991, Mr Pankin accuses Mr Helmut Kohl, the German chancellor, and Mr Al Gore, the US vice-president, of helping the Russian government to deceive its own people. Both men gave glowing reports ebout the state of Mr Yeltsin's health after meeting him this summer.

Whereas Ms Malkina praises the Kremlin for admitting that Mr Yeltsin needs heart surgery, Mr Pankin attacks the government for lying about the president's health during the crucial period between the first and second rounds of the presidential ballot this summer.

"The current generation in power has simply discounted morality in all of its decisions," Mr Pankin writes of his former political allies.

"Every means is good, so long as it leads to the final end – that is the principle which today guides the Kremlin. And for the sake of one goal – to keep the current president in power by any method and thus to keep themselves in power alongside him."

These dehates over whether the west is too hard or too easy on Russia, and whether the Kremlin should be praised for its openness or attacked for its deceptions, are likely to ebsorb Russian newspapers for some months to come.

Yet, whether they are pro-presidential or spitefully critical, all Russia's newspapers have been intrigued by the human interest story of the month: e woman's offer to donate her own heart to Mr Yeltsin should he need e transplant.

The president's media critics say he is not worthy of this popular respect; his journalistic fans say all of Russia should be so enthusiastic. But all the nation's hacks agree thet Zinaida Ramazonovna's pledge is a terrific news story.

Hungary securities bill raises doubts

By Kester Eddy and Virginia Marsh in Budapest

The Bndapest Stock Exchange is urging the Hungarian parliament to modify several provisions of a much-overdue securities bill designed to bring local regulation in line with international norms.

The exchange says the new law, which bas been approved by the Socialist-led cabinet and is dne to be discussed in parliament this week, would, among other things, give commercial banks undne advantages over brokers. The bill would allow commercial banks to deal directly in government securities and derivatives from next year and in all securities by 1999, rather than through brokerage subsidiaries as at present.

At the same time, brokerage companies would not be able to open cash accounts or exchange currencies for investors in securities – services the stock exchange considers essential to cut costs of the cross-border trading that drives the exchange.

Budapest has been one of the world's best performing markets this year, with most investment coming from abroad. The Bux index rose 76 points to 3,547 on Friday, up from 1,529 at the start of the year.

However, the market remains small and illiquid by western standards with just 44 companies listed and the industry has long pressed for new legislation.

The bill tightens regulations on insider trading and disclosure requirements for traded companies, ensures greater protection for investors and provides for gradual introduction of a paper-freebased system.

However, there is widespread disappointment that a takeover code – one of the greatest omissions from existing legislation – was removed from the bill et the last minute.

Investor confidence slumps as pressure grows on government

Bhutto in US bid to save standby loan

By Mark Nicholson and Farhan Bokhari in Islamabad

Ms Bsnazir Bhutto, Pakistan's prime minister, departed yesterday for a week-long trip to the US during which she will try to persuade the International Monetary Fund to revive stalled payments on a $600m standby loan, talks which may prove vital to her government's survival.

Some form of accord with the Fund will be critical to Pakistan not just in helping tide the country over heavy short-term foreign currency requirements, but also in shoring up confidence in the sconomy. Investor confidence has slumped in recent weeks, hurt by both the economy's mixed performance and rising uncertainty surrounding Ms Bhutto's government.

Ms Bhutto will hope for an accord to win political capital and help ease the pressure on her government, which has sharpened considerably after this month's slaying in Karachi of Murtaza Bhntto, her brother, and a subsequent series of interventions from President Farooq Leghari.

President Leghari: rift

The president's recent moves, including an unprecedented meeting with Mr Nawaz Sharif, leader of the opposition, have suggested a growing rift between Ms Bhutto and the president, who has the constitutional power to dissolve the government.

It was unclear yesterday whether a six-hour meeting between Mr Leghari and Ms Bhutto on the eve of her departure had resolved outstanding differences between the two, which inclnde issues such as the right of appointment of senior judges and tougher anti-corruption laws. Mr Leghari is also believed to be concerned over growing lawlessness in parts of the country and worsening economic trends.

However, political controversy surrounding the killing of Ms Bhutto's brother is likely to intensify after the death on Saturday of a Karachi police officer, who was among the police involved in the shoot-out in which Murtaza Bhutto died. Police said the officer committed suicide, though his family claimed that he was shot by two masked gunmen.

In New York, Ms Bhutto is expected to be joined by Mr V.A. Jafarey, her adviser on finance and *de facto* finance minister, who began talks with IMF at the weekend. Mr Jafarey left Islamabad without confirming whether he took with him a package of measures which might meet the Fund's differences with Pakistan. These led to the IMF suspending a third tranche of the standby facility after the country's June budget.

The Fund was dissatisfied with the budget, arguing in particular for more realistic targets on tax collections. The Fund also wants Pakistan to cut expenditure, adopt radical measures for keeping its budget deficit under control and expedite the privatisation programme.

Ms Bhutto is due to meet Mr James Wolfensohn, the World Bank president, and Mr Stanley Fisher, the IMF's deputy managing director, in New York on Thursday, while there to address the UN General Assembly. She is expected to seek financial support from both institutions.

Pakistan is dus to make repayments on commercial and sovereign foreign dsbt worth at least $400m within the next three months. The country's foreign currency reserves are around $1.4bn and the trads account is already in cumulative deficit of $500m for the first two months of ths fiscal year starting in July.

Pakistani analysts and media have suggested that if the country's sharpening financial difficulties remain unresolved they could pose a direct threat to Ms Bhutto's govarnment, perhaps prompting Mr Leghari to use his powers and install an interim technocratic administration.

However, bankers suggest Ms Bhutto may have limited fiscal room to meet IMF strictures given the present structure of state finances. "The government must cut spending, but they have little leeway to do it," said a banker with a foreign institution. "Defence spending they can't touch and financing of government debt they can't touch – and together that's almost two thirds of total spending."

Cutting the fiscal deficit seen as India's priority

P. Chidambaram, New Delhi's finance minister, talks to **Peter Montagnon** about his hopes for tax reform

In terms of their physical presence there could scarcely be a greater contrast between Mr P. Chidambaram, India's present finance minister, and his predecessor in the Congress (I) government, Mr Manmohan Singh.

Whereas Mr Singh's rumpled appearance, as well as his pensive and soft-spoken diffidence, betrays his academic origins as a professor of economics, Mr Chidambaram has the assured and deft demeanour of the Harvard-educated lawyer thet he is. A youthful 51, he comes across as much more a politician.

Chidambaram: mandate from his coalition partners Reuter

In terms of their economic philosophy, though, there is less to choose between them. Mr Chidambaram, leader of a small political party from his home state of Tamil Nadu, was once part of Mr Singh's team of economic reformers. His job, as he sees it, is to continue that reform. But as finance minister in a coalition of leftwing parties he will need all his political skills to see the task through.

Within weeks of taking office he received a resounding thumbs down from local financial markets for his first budget. It allowed for a deficit as high as 5 per cent of gross domestic product compared with 4.5 per cent, which the World Bank sees as the maximum permissible to stabilise India's large public debt, secure growth and keep inflation at bay.

But it was still widely perceived as unrealistic for its assumptions on economic growth, tax revenues and privatisation proceeds and politically inept for its effort to tax large corporations, many of which pay no tax.

In London at the weekend on his way to Washington for the International Monetary Fund annual meeting, he was as unrepentant as the most accomplished politician. The targets could be met, he said, and tax reform was still both necessary and possible. Getting the fiscal deficit down was the government's first priority, more important even than boosting the infrastructure, whose inadequacy has become a "tremendous cost on growth", he said.

India's chronic deficit is frequently cited as a cause of the double-digit real interest rates which companies must pay for bank loans. Even the central bank has warned the country could face a debt trap if it is not dealt with.

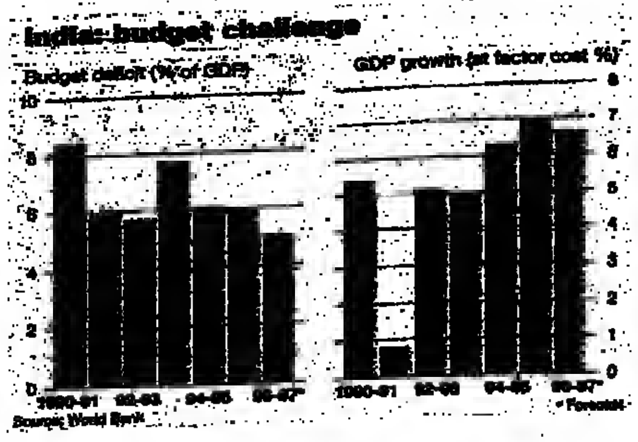
The task of lowering the deficit to 4 per cent within the next three budgets was not easy, but at least there was fairly strong consensus within the 13-party coalition that India could not spend its way to prosperity, Mr Chidambaram said.

Moreover it was too early to say that the government would miss its 5 per cent target for this year. Income tax collection is running some 30 to 35 per cent above projections. Customs dnties are ahead of target. There was some lag, however, on excise duties and, because of the sluggish domestic stock market rather than any political glitches, Mr Chidambaram admitted ths government was behind with its privatisation programme, which is supposed to contribute Rs50bn ($1.4bn).

The cabinet last week authorised sales of 5 per cent of the Indian Oil Corporation and 7 per cent of the VSNL telephone company and sent a list of 40 state-owned enterprises to its Disinvestment Commission for review. That should yield results in the new year, he said

"We might fall behind the disinvestment target, but I'd have to make up that shortfall by cutting spending somehow or by pressing on with tax compliance. At this point I don't think we should write off the [5 per cent overall deficit] target."

He had a clear mandats from his coalition partners to reduce the deficit, he said. Ths government, which seemed a weak coalition when it was formed, had taken some tough decisions: deregulating interest rates, allowing more private sector banks, raising petrolsum prices and granting the first oil exploration contracts after three years of dithering. "There's no reason to think that a coalition will govern less well than a single-party government. In fact, once yon go through ths debate on the issns within the steering committee or within cabinet and a position is taken, then it's much easier to implement a decision which is backed by a large consensus from a coalition."



On that basis there are grounds to expect some sweeping fiscal reforms in the coming years. For start these would also have to involve state governments whose deficits make up some 3 per cent of GDP.

Customs duties, currently 27 per cent on a trade-weighted average, would be reduced further to "Asian" levels by 2000 and to world levels about three or four years later. Personal income tax would be simplified with reduced rates and stricter compliance.

A draft income tax law would be published in January and enacted with the next budget. That would close loopholes for companies too, making the new "just and fair" minimum tax of 12 per cent on corporations more effective.

Finally India would work towards the introduction of value-added tax. It would be impossible to have a single VAT for the whols country because state taxes are different but "we are now moving towards a central VAT and a states VAT".

Given that these are achievements Mr Singh never managed in his five years as finance minister, this is an ambitious programme, but there is no mistaking Mr Chidambaram's determination, or his ability to make the best of his seemingly precarious coalition position.

"There can be no compromise on the goal of 4 per cent. A single-party government can get away with a slippage, but with a coalition of this nature I cannot get away with any slippages. Even if we don't do 5 per cent this year and, for the saks of argument, we do 5.2 per cent, next year we'll have to do better.

"There is no question of going back."

Subic port row likely to embarrass Manila

By Edward Luce in Manila

The row between President Fidel Ramos and Subic Bay freeport – the Philippines' fastest growing export zone – on whether to choose Hong Kong-based Hutchison Whampoa or a local company to manage its fast-expanding port has flared up at an awkward moment for the Philippines.

Subic's preference for Hutchison, which it says put forward a better business plan than International Container Terminal Services (ICTSI), the Philippines' largest container handling group, which also bid, has twice been overruled by President Ramos, most recently last Friday.

The controversy, which centres on the fact that – at $57 per 20ft equivalent unit (TEU) – ICTSI's bid was more than double the value of Hutchison's, could tarnish the country's reputation just weeks before it hosts the leaders' summit of the Apec (Asia Pacific Economic Co-operation) forum.

In an accident of timing which could prove acutely embarrassing for the Philippines, the 18 heads of state are to hold the annual summit at Subic Bay freeport on November 25 in recognition of the zone's much-praised recent successes. The freeport, which until four years ago was home to the largest US naval base in Asia before the US withdrew in the face of a hostile Philippines congress, has attracted more than $1bn in foreign investments since 1993 and become a symbol of the country's newfound economic vitality.

But for Mr Ramos, who has made great play of the fact that the Apec meeting will focus the international spotlight on the Philippines and has used it as a stick to prod vital legislation through congress, Subic Bay has turned into a symbol of disobedience. The freeport, which initially cited a little known "competition circular" to bar ICTSI from the 25-year contract, has now lost control over choosing the winning bidder.

In spite of being instructed by Mr Ramos to ignore the competition rule – which stated that no one port operator in the Philippines could control more than 20 per cent of a rival port – Subic upheld its decision to choose Hutchison over ICTSI last week. ICTSI, which handles about 70 per cent of the country's international container traffic, then appealed to Mr Ramos, who removed Subic's right to choose the contractor.

The row, which could continne for weeks, hinges on the president's contention that the Philippine taxpayer would lose up to 6bn pesos ($230m) a year if Subic opted for Hutchison's lower bid. However, Subic officials argue that Hutchison's bid would net higher revenues because it would generate larger volumes through more efficient management and higher investment in the port.

Whether Mr Ramos rules in ICTSI's favour or not, the affair has led to suspicions that discrimination against foreign companies is still rife. "Nobody believes that Hutchison could have kicked up such a fuss or caught the president's eye if Subic had chosen ICTSI instead of Hutchison," said a foreign executive in Manila yesterday.

Short-selling of shares to start in Malaysia

By James Kynge in Kuala Lumpur

Tightly regulated short-selling was scheduled to begin today in 50 of the most liquid shares listed on Malaysia's stock exchange, the biggest in south-east Asia.

Fund managers said that while "short-selling" – selling shares with a pledge to buy them back at a future date in expectation of a fall in its price – was likely to be limited for the first few weeks, the new rules provided an important new hedging mechanism and a way of taking profit in a falling market. It may also help speed up the long-awaited introduction of options trading on the futures market. There is no date fixed for options trade to start but analysts say it may begin within six months.

Short-selling has been going on in an unauthorised way for some time not only in Malaysia but also Hong Kong and Singapore, brokers said. Today however, will be the first day of authorised trade and is the latest step in efforts by the government to broaden and deepen its financial markets to become a regional financial hub.

The reform was welcomed by fund managers and operators of Malaysia's futures exchange, the Kuala Lumpur Options and Financial Futures Exchange.

Securities analysts said "short operations" may help boost the turnover in futures contracts, breathing fresh vigour into a market which has averaged lacklustre volumes since it was launched in November last year.

Expected arbitrage operations between cash and futures markets should bring futures prices into line with cash prices. Until the past week, futures have been trading at a significant discount to cash.

The 50 companies in which short-selling has been approved include the country's best-known groups, including Telekom Malaysia, Tenaga Nasional, Petronas Gas, Malayan Banking, Sime Darby, Genting, Hicom, Proton, Renong and Public Bank. Selection criteria includs market capitalisation exceeding M$2bn (US$800m), at least 100m shares in the public float, at least 2,000 registered shareholders and five years of uninterrupted profit after tax. The stringent criteria were devised to reduce the risk of a short squeeze and cornering.

In order to engage in short-selling, an investor must first borrow the relevant scrip from an authorised Securities Borrowing and Lending (SBL) agent. It is not yet known which brokerage houses are authorised SBL agents. Also, only those brokerage houses which have exhibited that they are abiding by "know your customer practices" as outlined by the Kuala Lumpur Stock Exchange (KLSE) will be allowed to conduct short-selling.

To ensure a high degree of transparency, regulations say brokers must report new short positions by 6pm on the day after the position was taken and the KLSE must make public all short positions within two days.

NEWS: INTERNATIONAL

Netanyahu seeks to regain initiative

By Judy Dempsey in Jerusalem

Mr Benjamin Natanyahu, the Israeli prime minister, was yesterday trying desperately to regain the political initiative as he and Mr Yassir Arafat, president of the Palestinian Authority, prepared to attend a summit in Washington tomorrow.

Although Mr Netanyahu has said repeatedly he would not reward violence after four days of violent clashes in the West Bank, Gaza and Jerusalem, his room for manoeuvre is becoming increasingly restricted.

This is not only because of mounting international pressure on him to return to the negotiating table and start implementing more conditions set out in the 1995 Israeli-Palestinian Interim Agreement. It is also because his Likud party is far from united behind e leader elected not by its members but by direct popular vote, the first time in Israel's history.

The most recent signs of a rift, if not resentment about Mr Netanyahu's style of leadership, emerged two weeks ago in a cabinet meeting when several ministers complained they had not been consulted ebout his plans for the future of Israeli troops in the West Bank town of Hebron and the tardy fashion in which Mr Netanyahn informed them of his meeting with Mr Arafat earlier this month.

Then last week, during the height of the demonstrations and violence throughout the West Bank and Gaza which were sparked off by the opening of a tunnel in the old city of Jerusalem, Mr Yitzhak Mordechai, tha defence minister, broka ranks. He remarked that perhaps not all factors had been taken into consideration with regard to the opening of the tunnel.

Mr Mordechai does not yet pose a direct challenge to Mr Netanyahu, since he owes his position to the prime minister, after joining Likud at the last minute before the election campaign having been passed over as chief of staff under the former Labour government. "But his voice shows one of the dovish elements in e very disunited party," said Mr Avraham Diskin, professor of political science at Hebrew University in Jerusalem.

Indeed, even Mr Netanyahu's relations with the military establishment outside the party have to be quickly restored, following criticism by General Amnon Lipkin-Shahak, chief of staff, who said he had not been informed about the timing of the tunnel's opening, despite the security implications of such a decision.

Rabbi Ovadia Yosef, spiritual leader of Shas, the Sephardic ultra-Orthodox party which has 10 seats in the 66-seat governing coalition, may be another weak link for Mr Netanyahu. The rabbi's constituency is certainly hawkish but Shas did not openly support Likud in the elections and supported the government only in return for cabinet posts. Yesterday Rabbi Yosef held talks with Mr Shimon Peres, former Labour prime minister, which reportedly dealt with the possibility of e national unity government.

But while Mr Netanyahu has to keep the doves on board – particularly since Likud, which relies on a motley collection of coalition partners, has itself only 32 seats in the Knesset, two less than Labour – he also has to placate the ultra-conservatives in his own party. These include Mr Ariel Sharon, infrastructure minister, and Mr Raphael Eitan, agriculture minister.

Yesterday Mr Sharon, who was visiting Jewish settlements, said, according to Israeli Radio, that the response to the recent violence warranted the expansion of the settlements in the West Bank and Gaza, which has already been stepped up in recent weeks and which was one of the issues that axacarbated ralations between the Palestinian Authority and Likud. "You can see the pressures in Likud. It will be difficult to see how Netanyahu will keep all the factions behind him," said Mr Diskin.

In an ironic way, much depends on Mr Arafat. By proving, as he did in the past two days, that he can control his forces and keep young Palestinians from ventilating their anger against Israeli soldiers, he could take the winds out of the hawks' sails by showing discipline among the Palestinian police forces does exist. But equally, there is now an awareness among Likud – and Israelis – that Mr Arafat can, so far, turn the pressure up and down. Responding to that power in the coming days will be Mr Netanyahn's biggest political challenge, not only for bringing Likud behind him but also for the peace process.

Jordanian students burn Israeli flags at Jordan University in support of Palestinians in the West Bank and Gaza Strip Reuter

Dole fails to dent 'President Schlickmeister'

Baseball's regular season ended yesterday, sending 20 of the 28 major league teams home for the winter. US newspaper sports pages will thus be without much of their staple diet, the box scores of the previous day's games.

The US election season has another 36 days to run, which means its version of box scores – opinion polls in each state – remain required reading. Polls may not be infallible but they are, for better or for worse, a crutch for those who report and analyse which candidate is up, who is down and why.

The handiest compilation is published weekly by The Hotline, a political newsletter. Its latest will not have brought joy to the campaign of Mr Bob Dole, the Republican candidate.

It found President Bill Clinton leading in 36 states, including Washington DC, with two statistical ties (Texas and Virginia, neither of which has gone Democratic in the last 20 years).

Most states were not even close, with the president holding leads beyond the standard margin of polling error, normally defined as double digits, in 29 states.

These figures have not changed much in a month. It is, therefore, not surprising that the mainstream US media, in writing the words that go with the box scores, has hardened in its opinion that Mr Dole has virtually no chance on the first Tuesday of November.

Two broad strains of coverage have emerged. One, inevitably, consists of early post mortems of presumed strategic and tactical failures – bad planning, organisation, poor speeches, etc. The other increasingly casts Mr Dole in a curiously sympathetic light, as if he were somehow disconnected from his own campaign.

Mr R.W. Apple of the New York Times noted that Mr Dole, legendary for his caustic and iconoclastic wit, has become "almost bland", either of his own accord or on the advice of his campaign managers.

"He gives the impression of 'a man in a box', unable to be fully himself."

Ms Maureen Dowd, columnist for the same newspaper, wrote: "It isn't really e campaign any more. It's something more interesting, more absurd, more dark, an inarticulate slouching around cornfields in Ohio and half-empty gyms in Missouri, boldly courting bad luck, bed timing and bad metaphors, inexorably sound-biting itself towards doom."

Yet, along with other commentators, she has been struck by Mr Dole's apparent indifference to his fate, noting: "The weird part is that he's not panicking."

That may be the only explanation for the fact that he took most of this weekend off at his Florida condominium, officially to prepare for next Sunday's TV debate, rather than scour for votes in e state he literally must win.

The pundits agree that he has had problems sticking to e message – emphasising the president's softness on narcotics one week, tax cuts the next and Mr Clinton's "liberalism" most recently – and that his rhetorical skills remain wanting.

But his new invocation of the L-word (liberal) has at least has brought joy to one part of the conservative media – talk show radio. Mr Rush Limbaugh, its biggest personality and loudest critic of President "Schlickmeister", crowed last week that Mr Dole had finally found the key to success.

The anti-Clinton press brigade keeps trying to give its candidate helpful advice. Among the most striking was the recommendation of Mr John Fund in the Wall Street Journal that Mr Dole should follow the example of Mr Mike Harris, now premier of Ontario.

"He should announce that if he is elected with e Republican congress, he will resign from office if he doesn't deliver on his tax cut." Mr Fund admitted there were few precedents for such a move south of the border, but that, he argued with some desperation, could be its great appeal. The trouble is that Bob Dole is a very late convert, if that, to cutting taxes instead of deficit reduction.

The current prevailing wisdom, with its necessary reference to baseball, was perhaps best expressed by Mr Donald Kaul of the Des Moines Register in answering the question of whether Mr Dole could come from behind and win.

"My guess is that he won't. He's an old man running an old man's campaign, harking back to a time when you didn't have to lock your doors at night, when the milkman delivered his milk to your door and there was no designated hitter."

Jurek Martin

US and EU to eliminate tariffs on IT

By Anne Counsell in Seattle

The US and European Union have made an 11th-hour compromise to resuscitate an agreement to eliminate tariffs on electronic products, including semiconductors, computers, software and telecommunications equipment, by the year 2000.

The information technology agreement (ITA), e market access deal to liberalise trade in information technology, was precariously near collapse last week when it became entangled with the US-Japanese accord to form a World Semiconductor Council (WSC) and e running EU-US row over high EU semiconductor tariffs.

But at a weekend meeting of the Quad – trade ministers from the US, EU, Japan and Canada – e compromise was reached on an ITA for inclusion at December's World Trade Organisation ministerial meeting in Singapore, thereby setting an agenda for other WTO members to sign up to the accord.

Under the Quad compromise, the EU has agreed to eliminate its semiconductor tariffs before joining the WSC, and the US will postpone formation of the council to coincide with the implementation of the ITA – both taking place simultaneously in March 1997.

Sir Leon Brittan, EU trade commissioner, called the weekend meeting "the log-jam breaking Quad" and said: "Our disagreements relate to the past, our agreements relate to the future."

He said the EU had invited Quad members to Geneva on Thursday this week to continue talks and momentum on the ITA.

His upbeat assessment was echoed by Ms Charlene Barshefsky, acting US trade representative, who said the Quad accord would provide the way forward for an ITA to serve as a broader market access package at the Singapore WTO meeting.

EU and US trade officials, however, said potential stumbling blocks remained. Noting that the EU had on previous occasions backed away from its commitments to an ITA, the US expressed reservations the EU might attach other trade issues to the ITA at a later date.

Separately, the EU harbours residual doubts on the extent of US commitment to a broad range of information technology liberalisation and is wary the ITA may be restricted in scope.

> 'Disagreements relate to the past, our agreements relate to the future'

In a further effort to kick-start implementation of outstanding issues on the world trade agenda, Quad members said they would reactivate stalled talks on a global telecommunications accord by improving their market access offers in an effort to secure a critical mass of acceptable offers by the deadline of February 1997.

Both the US and EU said they would submit new and improved offers on telecommunications access to spur other countries to follow suit, in the hope of averting e repeat of the stand-off last April when the deadline passed with an insufficient number of acceptable offers to complete an accord.

The Quad meeting also reached agreement on other less contentious issues and reiterated its commitment to achieving market access agreements on financial services and accountancy in 1997. It also urged that an accord on zero tariffs for pharmaceuticals could be expanded to include other industries and products.

Debt relief for poorest nations near final accord

By Patti Waldmeir in Washington

The last important obstacle to a plan to relieve the debt of the poorest nations was overcome at the weekend, when bilateral creditors agreed to offer more generous relief to heavily indebted borrowers.

Saturday's agreement by the Paris Club of creditor nations to boost relief on official debt from 67 per cent to a maximum of 80 per cent marks the culmination of two years of negotiations over a World Bank-sponsored initiative to attack world poverty by reducing poor countries' debt.

The IMF's interim committee of key finance ministers planned to endorse the initiative yesterday, and the development committee of the World Bank is expected to give its stamp of approval later today. This will pave the way for the first of up to 20 highly-indebted poor countries to begin receiving relief within months, with Uganda expected to be the first to benefit.

Paris Club agreement to contribute to the $7.7bn initiative came after the most powerful of the club's members – the group of seven industrialised countries – met in Washington on Saturday. Speaking after the meeting, Mr Robert Rubin, the US treasury secretary, welcomed the Paris Club decision, adding: "We want to see this all move as quickly as possible."

"I hope we will be able to have the first countries to benefit from [the initiative] before the end of the year," said Mr Kenneth Clarke, the UK chancellor of the exchequer. "We can all be satisfied that finance will be forthcoming... one way or the other."

World Bank officials said the Paris Club agreement was a "breakthrough" but stressed that 80 per cent relief would not be enough to reduce the debt burden of some countries to sustainable levels. The Bank and IMF had asked bilateral creditors to provide 90 per cent relief, as part of a total package including $2bn from the World Bank and $1.2bn from the IMF.

But Bank officials said they hoped that, where 80 per cent relief was insufficient, more funds could be found on a case-by-case basis. They welcomed the strong political commitment spelt out in a letter from the Paris Club to the World Bank on Saturday, to "achieve an exit from unsustainable debt" for poor countries which pursue economic reform.

"This represents a breakthrough in the way we have approached debt relief for poor countries so far," said one Bank official, noting that previous ad hoc efforts had led only to seemingly endless reschedulings.

Mr Rubin said yesterday that the decision had been taken to proceed with the debt plan though funding of the IMF contribution – which might require sales of IMF gold reserves – had not been agreed.

"We agreed to get going and to leave the gold issue for resolution further down the road," he said.

Editorial comment, Page 17

IMF ponders monetary union

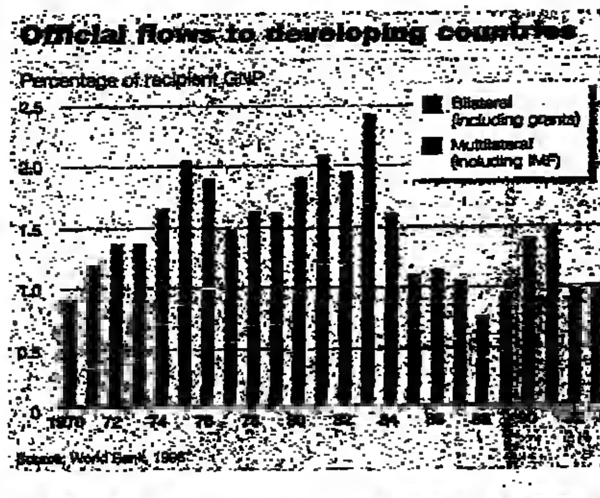
By George Graham in Washington

Monetary union is used to top billing at meetings of European finance ministers, but this weekend it made its debut on a wider stage as the world's finance ministers gathered in Washington for annual meetings of the International Monetary Fund and the World Bank.

The US and Japan have until now tended to regard Emu as a purely European affair, but at this weekend's meeting of finance ministers and central bank governors from the Group of Seven leading industrial nations, a prelude for next week's IMF meetings, they began to explore for the first time the consequences of the introduction of a new leading international currency for the world financial system.

"If you get an Emu, obviously there are a lot of issues that need to be thought through with respect to how institutions around the world that currently have the D-Mark as a reserve currency will react to the euro as a substitute," said Mr Robert Rubin, US treasury secretary.

Emu also took a prominent place in discussions at a meeting of the international advisory committee of the Federal Reserve Bank of New York on Friday.



Both finance ministers and commercial bankers from the European Union have been struck, nevertheless, by the lack of preparation in the US and Asia for Emu, an event which is now little more than two years away.

"Our impression is that outside Europe there is a tremendous lack of information about the euro," said Mr Theo Waigel, German finance minister, adding that the euro would have a stronger role as a reserve currency than the D-Mark.

Although countries outside Europe are clearly less directly affected by Emu, Mr Hans Tietmeyer, president of the German Bundesbank, warned that they ignored the consequences of the introduction of the single currency at their peril.

"It is important that it is not just in the interests of the Europeans but also in the interests of the Americans and the Japanese. The euro will have consequences for the dollar as a reserve currency," Mr Tietmeyer said.

Mr Tietmeyer said the G7 meeting had agreed that exchange rates were now "significantly better aligned with economic fundamentals than in the past".

But he warned that this made it even more important that the new European currency should as strong as the D-Mark; that meant its introduction must not be put off, and that the economic criteria for participation must be strictly enforced.

The move from national currencies to a single European currency was in itself an element of uncertainty, Mr Tietmeyer said, and that contributed to the steepness of the yield curve for European interest rates.

"Anyone who argues for a relatively loose interpretation of the Maastricht criteria must say what that would mean for the interest rate structure," he said.

The G7 meeting delivered a confident assessment of the world economy as a whole, arguing that conditions appeared to be in place for a strengthening and broadening of economic growth into 1997. "Throughout the G7 countries, inflation remains at low levels, efforts are under way to reduce fiscal deficits and external imbalances have receded," Mr Rubin said.

Call for multi-year plans for budgets

By Robert Chote, Economics Editor, in Washington

The International Monetary Fund's key ministerial committee yesterday updated its keynote statement of economic best practice, arguing that governments should establish multi-year plans for budgetary policy and make their finances more transparent.

The original "Madrid declaration" drawn up by the committee in 1994 called on governments to cut their borrowing, to adjust interest rates promptly to forestall inflation, and to introduce structural reforms which would make their economies run more efficiently. However, ministers felt it was important to update the statement to broaden its strategy and strengthen its implementation.

The new declaration argues that governments should also recognise that undertaking structural reform will make interest rate and budget setting easier. In Europe, for example, liberalisation of labour markets would help cut unemployment and thereby make it easier to reduce government borrowing.

The quality and composition of plans to reduce government borrowing was also emphasised. A draft copy of the declaration advocated "reducing unproductive spending while ensuring adequate basic investment in infrastructure".

In a background report to the committee, Mr Michel Camdessus, IMF managing director, said the Fund often tailored advice on the composition of fiscal retrenchment programmes to the size of the public sector in the country under review.

It has told France, Germany and Sweden their public sectors are too big and government spending must be cut relative to the size of the economy. In the US the IMF has emphasised the need to postpone tax cuts, although it has argued recently on efficiency grounds for a broadening of the base of incomes, profits and spending which are taxed in the US.

The draft committee declaration also urged governments "to improve education and training, to reform public pension and health systems to ensure their long-term viability and enable the provision of effective health care; and to alleviate poverty and provide well-targeted and affordable social safety nets".

"It is essential to enhance transparency of fiscal policy by persevering with efforts to reduce off-budget transactions and quasi-fiscal deficits," the draft declaration added.

Misalignments in key exchange rates should be avoided, the committee argued. The declaration said: "Implementing sound macroeconomic policies and avoiding large imbalances are essential to promote financial and exchange rate stability." It made no explicit reference to the use of central bank intervention to tackle misalignments.

Soundness of banking systems should also be ensured by toughening prudential regulations and supervision, improving co-ordination, better credit risk assessment, stringent capital requirements, timely disclosure of banks' financial conditions, prevention of money laundering and improved management of banks.

Mr Kenneth Clarke, UK chancellor, told the committee the IMF should pay specific attention to weaknesses in countries' anti-money-laundering regimes in its regular "Article Four" health checks on economic policies. He also urged more countries to follow his example in publishing the preliminary conclusions of their Article Four discussions with the IMF.

Mr Clarke also called for a revision of the IMF's articles of agreement aimed at giving it an explicit mission to encourage further capital account liberalisation and to help members secure the benefits of free capital movements. He said it was wrong that the articles currently permit – and in some cases even encourage – countries to impose controls on capital account transactions.

Mr Camdessus's background review of recent Article Four discussions also conceded that countries with persistent, moderately high inflation (around 10 to 40 per cent a year) might have tackled inflation more effectively had the IMF explained in more detail costs and benefits of disinflation rather than taking it for granted that slowing the rate of price rises was a good thing.

The Committee declaration urged "consolidating the success in bringing inflation down and building on the hard-won credibility of monetary policy". It also pushed for "maintaining the impetus of trade liberalisation, resisting protectionist measures and upholding the multilateral trading system".

Tanzania minister under threat

By Michela Wrong in Dar-es-Salaam

Tanzania's President Benjamin Mkapa is coming under intense pressure from parliament to sack his finance minister, now in Washington for talks with the International Monetary Fund, over his involvement in a tax exemption scandal.

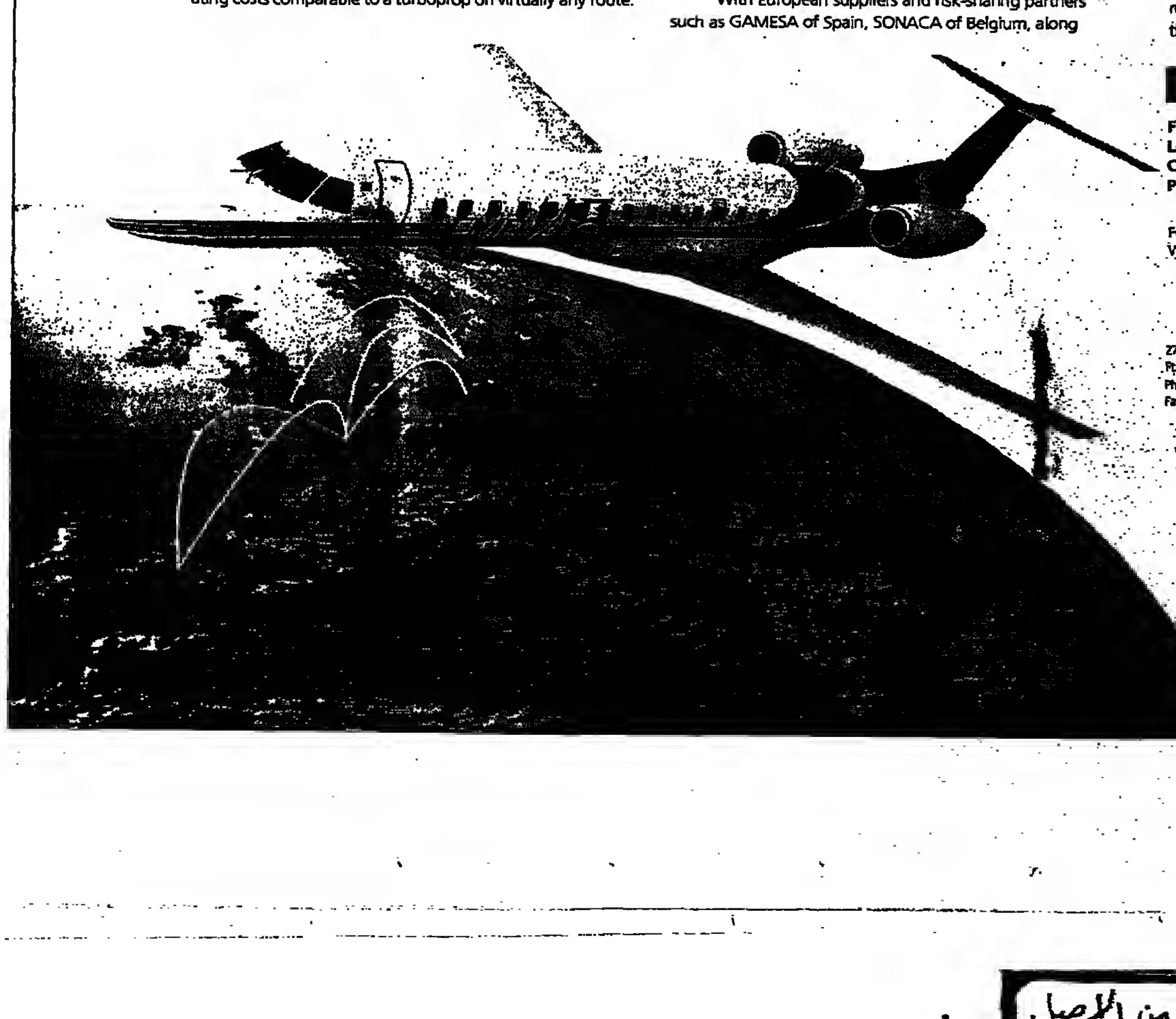
In what is seen as a test case for Mr Mkapa's much-publicised campaign against official corruption, a parliamentary select committee is calling on the president to ensure Prof Simon Mbilinyi, a key figure in the country's economic reform programme, is "made accountable" for clear malpractice.

"If he is not made accountable we won't just sit back and be disappointed," Mr Iddi Simba, a member of the ruling Chama Cha Mapinduzi (CCM) party and chairman of the committee, said. "I shudder to think what parliamentary action we will take if nothing happens."

Last Tuesday, the select committee made public a 42-page report into the June affair, in which the minister is accused of granting several billion shillings' worth of tax exemptions to four companies importing edible oil into Tanzania.

The committee's findings and recommendations come at a particularly embarrassing time for President Mkapa. The finance minister is negotiating with the IMF, which is believed to be on the verge of lifting a freeze on funding imposed in 1994 because of Tanzania's chronic failure to collect tax revenue. An Enhanced Structural Adjustment Facility worth $224m is at stake.

A bone of contention for both the IMF and bilateral donors has been the generous granting of tax exemptions to local businesses by corrupt government officials. Mr Mkapa promised in the run-up to last October's elections to eliminate the practice.



European Union social chapter

Warning will be sent to companies

By John Kampfner, Chief Political Correspondent

The British government will today go over the heads of its European Union partners by issuing a pan-European pamphlet to tens of thousands of European companies outlining Britain's reasons for remaining outside the social chapter.

Ministers acknowledged that the initiative, endorsed by the cabinet last week, is designed to wrest back the initiative on EU policy after two weeks of bitter division over monetary union.

"This is the kind of Euro-issue we must all rally round, because we're all united against the social chapter," said a senior party official. "We're sending a warning shot to member states that we're not prepared to see our opt-out diluted in any way or to allow regulations to be introduced by the back door."

The 16-page booklet, to be launched by Mr Ian Lang, the chief industry minister, will be sent to 40,000 UK businesses, as well as to all MPs and members of the European parliament. The document will also be translated into French, German, Spanish and Italian and distributed to at least as many companies across the EU.

The tone of the document is likely to annoy some members, as it sets out in robust and uncomplementary detail the effect of strong employment rights on the economies of EU states.

It suggests that in Germany it is illegal for young people to work on national holidays; in Spain overtime is limited to 80 hours per year, and in Luxembourg government permission is needed to work overtime.

Officials said the timing of the launch – on the first full day of the opposition Labour party conference – was coincidental, and that it had been delayed by a few weeks because of printing problems.

They denied any impropriety in using public funds, which they estimated at around £50,000, ($78,000) describing it not as a party political issue but "proselytising government policy to foreign countries".

Labour has committed to signing up to the social chapter of the Maastricht treaty, although Mr Tony Blair, the party leader, has made clear he will not agree to any EU measures that damage British competitiveness.

Earlier, Mr Kenneth Clarke, the chancellor of the exchequer, issued another coded warning to cabinet, suggesting there was little point in seeking to prevent EU partners from pressing ahead with launching a single currency in 1999 if they were determined to do so.

Reuter

Tony Blair, leader of the UK's opposition Labour party, read the lesson at a Methodist church in Blackpool yesterday as delegates gathered there for the party conference

Bass to be censured over cartoon

By Roderick Oram, Consumer Industries Editor

Brewing company Bass will be censured this week for using a cartoon character to market its Hoopers Hooch alcoholic lemon drink, the leading brand in the new "alcopop" category criticised for appealing to under-age drinkers.

Bass is expected to drop the motif rather than negotiate an acceptable form of it.

In a second ruling, Bass's use of the word Hooch will be upheld by the Portman Group, an agency funded by seven leading brewers and distillers to promote responsible consumption of alcohol.

The verdict could heighten concern over the industry's self-regulation when Ms Jean Coussins, the Portman Group director, debates the issue with Mr Nigel Griffiths, consumer affairs spokesman for the opposition Labour party, at a fringe meeting at the party's annual conference this week.

Portman's rulings will be published on Wednesday.

Hooch has about 70 per cent share of the market for sweet, fruit-flavoured alcoholic drinks and has become one of Bass's biggest selling brands. Starting from scratch in the summer of last year, alcopop sales are already running at £300m a year and growing.

Responding to public concern about under-age drinking, Portman drew up a code earlier this year on branding, marketing and advertising of alcoholic drinks. The aim was to stop drinks companies using images, names or motifs likely to appeal to under-18s.

Bass has already been censured by the Advertising Standards Authority for its Hoopers Hooch character. It dropped the word lemonade from the brand name as Portman was finalising its code.

On Wednesday Portman will publish rulings on 21 alcopop complaints. Sixteen of the complaints were lodged by Alcohol Concern, the independent campaigner against alcohol misuse.

It also objected to Whitbread brands Lemon Jag and Vanilla Heist, names associated with "violent, aggressive, anti-social and illegal behaviour".

Recently the Portman Group ordered Carlsberg-Tetley to change the juvenile-looking picture on its alcopop Thickhead. It allowed the name to continue in spite of its possible connotation of a hangover.

Hospital funding deals founder

By Mark Suzman, Social Affairs Correspondent

Plans to use the Private Finance Initiative to fund the building of some big hospitals in the state health service will have to be scrapped, a senior government official has admitted. The initiative is intended to attract private funds to public projects.

Mr Andrew Neill, head of the private finance unit in the National Health Service, said in an interview with the FT that the funding problems at several projects were now virtually insurmountable. The admission is an embarrassment for the government.

Mr Marco Cereste, chairman of the NHS Trust Federation, an umbrella body for hospital trusts, warned two weeks ago that several schemes now in procurement were "not suitable" for the initiative.

But Mr Neill's comments are the first official acknowledgment that some initiative projects might not go ahead.

Mr Stephen Dorrell, health secretary, initially predicted that new hospital deals under the Private Finance Initiative would come forward at a rate of at least one a month this year. But while 24 of the proposed new hospitals worth over £20m ($31.2m) now have preferred bidders, and six have received Treasury approval, the first contract has yet to be signed.

Mr Neill said the problems varied but the main issue was that several local hospital trusts could not afford the annual repayments that would be required for hospitals built according to original specifications.

He said the funding gap at some schemes was as much as £4m a year for the lifetime of 30-year contracts.

Mr Neill declined to specify which hospitals might not succeed, but said any failures would be included in a database to provide lessons for the future.

Audit firm urges accounts reform

By Jim Kelly, Accountancy Correspondent

KPMG – one of Britain's biggest audit firms – today advocates the eclipse of company preliminary results by the publication of a "no frills" plain-paper version of the statutory accounts.

The move would clear the way for the vast majority of shareholders to get summary financial statements a few weeks after the "prelims" – with those few who want the full set of accounts getting an extra book of technical figures.

The suggestion is likely to prove popular with companies wanting to cut costs, but will be closely watched by shareholder representatives keen to make sure sensitive information still reaches all shareholders.

It may also prove costly and impractical for smaller companies which do not have such information on IT systems.

KPMG says the present system leads to "information overload and duplication".

"We are kidding ourselves if we think most people read or understand the full traditional report and accounts," said Mr David Alvey, finance director at BAT Industries.

A KPMG survey of 60 top companies found prelims had expanded to an average of 18 pages, with one example 77 pages long.

Mr Gerry Acher, head of audit at KPMG, said: "What matters is that information should be in the public domain, not that everyone should have it on his or her desk."

Public may lose rights to records

By Nicholas Timmins, Public Policy Editor

A European Commission directive on data protection providing a right of access to paper and manual records could lead to the loss of important existing rights, Britain's Campaign for Freedom of Information said yesterday.

People will pay more, receive information more slowly and lose the right to be told when some information has been withheld unless the government legislates to ensure existing higher standards of access are preserved, the campaign said.

After strong resistance ministers have now agreed to put the directive in place by October 1998.

But the government has said it "intends to go no further in implementing the directive than absolutely necessary".

The campaign said that if the government implemented it by secondary legislation and lined up the directive's requirements with those of the Data Protection Act, important existing rights would be lost.

The data protection registrar has criticised the directive because its does not extend to manually kept police records, or to records connected to security, defence or the state's activities in relation to the criminal law.

Subject to exemptions, there is existing access to computerised records in most of these areas under the Data Protection Act.

THIS WEEK

It's enough to make you cry

DATELINE

Buenos Aires: Not only could Peron's body face exhumation but a controversial film starring Madonna as his beloved Evita opens shortly

David Pilling

Perón must be spinning in his grave. But if Marta Holgado gets her way, he will soon be denied even this relative comfort.

Señora Holgado, a pudding-faced resident of Madrid, wants to drag the poor general's cadaver from his tomb and subject his remains to DNA testing. This, she says, will prove she is Peróo's love-child, the fruit of a 1930s affair between the founder of Peronism and Holgsdo's mother, Cecilis Demarchi.

Perón's family, including his third wife and disastrous former Argentine president María Estela Martinez de Perón (Isabelita), is somewhat peeved.

Perón may have founded a virile political movement, whicb even today provides the iconograpby of Argentine politics, but the man himself was sterile, they say.

Holgado, her detractors warn, is just trying to get her grasping hands on the millions that Peróo and his second wife Eva Duarte (Evita) are said to have stashed away in Swiss bank accounts. Ths demure Holgado holds up her hands in horror at the mere suggestion of gold-digging. But sbould her claim be proved, shs says, it would naturally be unbecoming for her to turn away her rightful inheritance.

This is not the first time that rumours of Perón's hidden fortune – allegedly amassed during his first stint ss president between 1946 and 1955 – have disturbed the general's repose. In 1987, some 13 years after his death at the age of 78, thieves raided his tomb and sliced off both his hands. It was said they wsre after his finger prints, needsd to access the Swiss accounts.

Holgado, who bears an uncanny likeness to Perón, has persuaded Argentina's Supreme Court of her right to yank him from his tomb again, a spectacle expected to occur within weeks.

The exhumation could coincide with another event likely to disturb the memory of Perón, or rather of his beloved Evita. The movie of Evita's life, based on the Andrew Lloyd Webber-Tim Rice musical, is shortly to open in the US. The production, part of which was filmed in Argentina earlier this year, has caused not a little pique among Peronists, many of whom consider Madonna to lack, shall we say, sufficient moral stature to play their national heroine.

The previous tims Madonna appeared in Buenos Aires, she had ruffled the cassocks of local churchmen by girating on stage with a large cross pressed provocatively against her crotch.

Filming in Buenos Aires was often a tense affair. Madonna spent most of her time hidden in her hotel room, protected by a hulking bodyguard, and the rest lying through her teeth about her unequivocal admiration for Evita.

President Carlos Menem, a Peronist, called the film a disgrace and busily began to promote a local production, featuring a well-known Argentine soap-opera starlet.

Eventually Menem, who loves nothing more than Hollywood glitz, relented in his buffing and invited tha all-star cast round to his palacial residence.

He even allowed Alan Parker, the film's director and an Englishman no less, to film on the balcony of the Casa Rosada government house, s concession that would have mada the fiercely nationalistic Perón fume.

Such fuming, bowever, would be mere tea-pot steam compared with the boiler-blast that would ensue were Perón aware of Menem's latest plans to undo his legacy.

Menem, a Peronist president who has spent the past seven years dismantling most of Perón's ideas, now appears hell-bent on destroying the general's most treasured creation – the trade unions.

Perón's strange hybrid of nationalistic, militaristic populism,which owed much to ideas picked up in Mussolini's Italy, built its foundations on unions thet were both powerful yet ultimately controlled by the Peronist machine.

Menem this week served notice that this cosy relationship is to be terminated. Collective bargaining will be scrapped and long-defended workers' rights weakened in an effort to tackle near-record *unemployment* of 17 per cent.

Menem's very tone has changed. He dubbed this week's 36-hour general strike – judged by the media to havs been one of the biggest industrial protests since the turbulent 1970s – as a "holiday stoppage", an excuse for a four-day weekend.

The tens of thousands of people who marched on the Plaza de Mayo represented, in Menem's opinion, a pathetic turnout that would be surpassed by this weekend's footballing encounter between Boca Juniors and River Plate.

Menem baulks at the suggestion that his attack on the unions, his privatisation of everything Perón nationalised, and bis radical overhaul of Peronist foreign policy, mark a break with the great general's principles.

Peronism, his aides explain, is a pragmatic doctrine that seeks "the grandeur of the nation and the well-being of its people". If Perón wsre alive today, facing the dictates of a globalised economy, he would be doing exactly the same.

That may be. It would, nevertheless, be ironic if, just as Perón's remains were being lifted from his tomb, the last vestiges of his political legacy were being finally laid to rest.

The Monday Profile: Serge Tchuruk

Vision of two worlds merged

Mr Serge Tchuruk has a singular vision of the future of warfare. Far from the nuclear Armageddon envisaged by many, the Alcatel Alsthom chairman sees precisioo, increasingly hi-tech conflicts in whicb virtually no one – friend or foe – gets killed.

The prime aim in such "cyber" battles would be to disable the enemy's central communications system. "It is something the Chinese have understood for thousands of years. Tbe art of making war is to stop the other side being able to make war."

This, in a few words, explains wby tbe bead of one of the world's leading telecoms equipment groups is so keen to add Thomson, the French state-owned defence and consumer electronics group, to his already diverse collection of businesses. "Communications techniques ... are becoming the key to defence systems", he says. "Our thesis is tbat telecoms and defence are two worlds that are coming together.".

It is a beguiling concept – particularly when expounded by this trim, Marseilles-born 58-year-old former oil company executive. But the prospective combination of the two companies was not something initially that went down well with the markets.

Over a near six-month period – from close of trading on March 28 when he made his interest in Thomson public until earlier this month – the price of Alcatel shares on the Paris stock market slid from more than FFr450 to well below FFr400.

This was a period, however, wben the Alcatel chairman largely kept his own counsel about his strategic thinking – a tactical gambit in marked contrast to the spproach adopted by Lagardère, the missiles-to-magazines conglomerate that is his rival in the bidding process.

Since he broke his silence on September 18, the shares have rebounded to FFr430 – helped also by half-yearly results that appeared to confirm the group was making progress after the problems of recent years. Though too long delayed in the eyes of many, ths public relations offensive of the past 10 days – prosecuted with Mr Tchuruk's characteristic charm and thoroughness – has been undeniably effective.

But there is a long way to go before the shares approach their early 1994 peak of FFr902, and it would be wide of the mark to suggest the Alcatel chairman had succeeded in removing all doubts. There are at least two factors which some still fear might to some degree compromise Mr Tchuruk's commitment to maximising value for his shareholders. The first is ego.

The second is politics. Has hs become too mesmerised with the idea of running a vast European industrial powerhouse capable of building everything from TV sets to nuclear power stations? Will the decisions he takes be influenced to an undesirable extent by the strategic priorities of ths French government?

The feeling from the past 10 days is that there is less to worry about on the first count than the second. Mr Tchuruk has spoken convincingly of his desire for a decentralised organisation capable of creating value by means of technological transfers between its main activities and exploiting its global negotiating muscle. "We must build enterprises that have their own real autonomy", he says of the planned "large international partnerships" in the defence, consumer electronics and electromechanics sectors that would be set up if Alcatel's Thomson bid succeeded. "I have no pretensions to be a federation."

It has become clear that the Alcatel chairman has thought deeply about these partnerships, which ha believes are "difficult to manage", and has strong views on how they can best be made to work. Better in his view a small number of large wide-ranging partnerships than "a proliferation of joint ventures in specialised niches".

If all goes according to plan, Mr Tchuruk's empire will incorporate stakes in a number of politically-sensitive businesses It is asking a lot to believe the French state, with its fondness for strategic planning, will give him and his partners a free hand where these are concerned.

Already some detect political influence in Mr Tchuruk's confirmation that the partner the group plans to seek in the defence field would be European and not, say, Hughes Electronics or Raytheon of the US. Pressed on the point, the Alcatel chairman acknowledges it is "not always best perhaps to have European partnerships" but adds that he has to be "practical".

But be bridles at any suggestion thet the main reason for his interest in Thomson Multimedia, Thomson's money-draining consumer electronics business, is the state's desire to sell the defence and consumer electronics arms together. "I assure you that it is good for Alcatel." The consumer electronics industry is at "the end of the analogue era and the beginning of the digital one ... We want to help Thomson Multimedia to attack the evolution towards digital technology with force."

David Owen

FT GUIDE TO

Heart disease

What is wrong with Russia's president, Boris Yeltsin?
He has had a number of heart attacks – probably three – which have caused permanent damage to his heart muscle. At the same time, the coronary arteries that supply blood to his heart are furred up with fatty deposits and blood clots.

It sounds as though he is lucky to be alive.
Yes: 40 per cent of people are killed by their first heart attack and only a small minority survive three.

Could Yeltsin be restored to good health?
The president's star-studded medical team, which now includes veteran US cardiologist Michael DeBakey, is planning to carry out a triple or quadruple heart bypass operation later in the autumn, after he has recovered further from the shock of his heart attack during the summer election campaign. Surgeons will remove three or four stretches of vein or artery from elsewhere in his body (the leg or chest) and graft them on to the coronary arteries, bypassing the diseased areas. Blood can then flow more freely to the heart, and the risk of future heart attacks is reduced.

What are the chances of success?
The world's heart surgeons have carried out several million bypass operations since the procedure was developed in the 1960s. The average risk of dying as a direct result of the surgery is less than 2 per cent. Most patients are enjoying an improved quality of life five years later. However, Yeltsin's heart may have been weakened seriously and irreversibly by his unusual series of heart attacks, each of which will have killed some muscle and caused scarring.

If the operation succeeds, could Yeltsin resume active work as president?
His physical activity is likely to be limited by his weak heart, and many people suffer from depression after surviving a heart attack. But Yeltsin's intellectual capacities will probably not be affected, so there is no reason why he should not work full time.

Isn't the stress of the Russian presidency likely to give him another heart attack?
Contrary to popular belief, there is no clear scientific evidence that a high-pressure job increases susceptibility to heart disease or makes a heart attack more likely. Indeed, people in repetitive manual occupations, who have little control over their working lives, are at greater risk than those in top jobs.

What are the important risk factors, then?
Biggest of all is age. The risk of suffering a heartattack increases rapidly as you grow older, and so does the risk that ths attack will be fatal. Deaths among the 65-84 age group are 10 times greater than among the 45-64 group. Your genetic inheritance plays a vital role, too. Susceptibility to heart disease depends on many different genes interacting with environmental factors.

But no one can do anything about their age or their genes. How can Yeltsin – and the rest of us – reduce the risk of heart attacks in practice?
Even people in late middle age with a genetic susceptibility to heart disease can reduce the risk through a change in lifestyle. For a smoker, the overriding priority is to give up at once. The effect of smoking on the heart is less obvious than on the lungs, but is serious. The British Heart Foundation estimates that 24 per cent of deaths from coronary heart disease among men and 11 per cent among women are due to smoking. And anyone, whether a smoker or not, can ensure he or she eats a healthy, balanced diet: high in fruit and vegetables, and low in animal fats.

What about drinking alcohol?
There is overwhelming evidence from several studies that drinking moderate amounts – say, two or three glasses of wine a day – reduces the risk of a heart attack. Apparently, alcohol in the blood helps dissolve fatty deposits before they can block a vital artery. Doctors and health authorities are reluctant to broadcast the "alcohol is good for you" message too loudly in case it encourages people to drink excessively. There is no doubt that long-term heavy drinking damages the heart as well as the liver, brain and other organs.

Can drugs help?
Yes, doctors prescribe a wide array of drugs to help prevent heart attacks. They include products that thin the blood and reduce clotting, such as aspirin and heparin; anti-hypertensives to bring down high blood pressure; vasodilators to open up narrow blood vessels; and anti-arrhythmics to make the heart beat more evenly. The market for cardiovascular drugs is worth $10bn (£6.4bn) a year in the US alone.

Are there any prospects for reducing the terrible toll from heart disease?
Although heart attacks kill more people worldwide than any other single thing – more than 4m a year – the death rate from heart disease is falling in most industrialised countries. Factors responsible include healthier diets, less smoking and better medical treatments. But we all have to die of something eventually, and heart attacks are likely to kill millions each year for the foreseeable future.

Clive Cookson

Stephanie Flanders · Economics Notebook

Serving up a poor man's feast

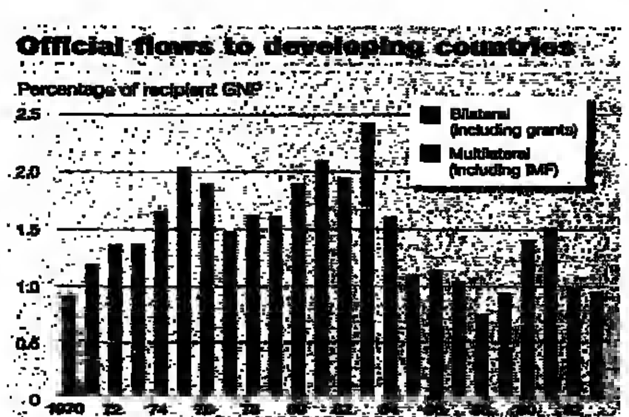
A new approach to overseas aid should ensure resources are better targeted

G7 finance ministers at today's World Bank annual meetings in Washington will be promising a "new beginning" for the world's poor. After years of soul searching, they are offering to help some of the poorest countries offload a small chunk of the debts they owe to the Bretton Woods institutions and other official donors.

The deal has rightly been hailed as a breakthrough. But it is also a belated admission of the obvious – namely, that there are countries which are now too poor, and too burdened by existing debts, to stand a chance of ever growing out of the problem by themselves. The question is what else follows from this unhappy truth.

For aid organisations such as Oxfam and Christian Aid, the answer is plain. There should be more debt relief, much sooner than the World Bank, the IMF and the Paris Club of official creditors have promised, with far fewer strings attached. In addition, rich countries ought to reverse the long-term decline in overseas development assistance and redouble efforts to ensure help reaches those who need it.

Others draw a different conclusion: that we should not merely write off poor countries' debts but write off the business of giving foreign aid altogether. "Foreign aid", argues the economist Deepak Lal in an article in a volume published last week by the Institute of Economic Affairs, "is an idea whose time has gone". He believes that aid programmes are an anomaly left over from the inter-war period that do no-one, least of all the recipients, any good.



Many in the development movement would rather not hear such arguments at a time wben it is proving hard enough even to keep foreign aid budgets at their present levels. Understandably, they worry that it will simply fuel support for anti-aid activists such as US Senator Jesse Helms, who believes aid consists of "throwing money down a rathole".

Yet Lal's most important charge against the aid business ought to worry supporters of aid at least as much as its enemies. This is that aid has systematically failed to reduce poverty in recipient countries, and has propped up corrupt governments.

That the World Bank and others should be having to give a "fresh start" to long-time aid recipients because they cannot service loans at an interest rate of 1 per cent or less a year shows that something has gone disastrously wrong, in those nations at least.

But Lal's argument gains broader support from recent research by Peter Boone, an economist at the London School of Economics and a contributor to the same IEA volume.

Taking account of the fact that aid tends to go to countries that are already in a bad way, Boone looked at cross-country data since 1970 to establish whether an additional pound sterling of aid led to an improvement in basic indicators of poverty, such as income, infant mortality or education. His answer was that, by and large, it had proved extremely ineffective at improving any of them.

Yet Boone did not find that all anti-poverty programmes were pointless. Far from it. He thinks that specific projects such as the worldwide immunisation programms, and many individual World Bank health care projects, have made an important contribution to reducing poverty. The trouble is that only a small share of the official aid given to governments has actually heen spent on this kind of cheap but highly effective programme.

Where aid fails, Boone argues, it is because the money has been ploughed into pet projects which only profit a select group of government supporters. Tellingly, be finds thet although aid does not generally seem to have benefited the poor, it has tended to benefit recipient governments, in the form of higher state spending as a share of GDP.

The details of these findings are open to dispute. But few disagree with the hasic message: that a sizeable chunk of the aid given to poor countries over the past few decades has been wasted. The controversy is about whether – and how – existing development programmes can be made more effective.

Some say that the answer is to bypass governments altogether. In effect, official donors have already been moving in this direction by channelling more aid through non-governmental-organisations. Official sources accounted for 30 per cent of NGO budgets in 1992, compared to only 1.5 per cent in 1970.

Yet the state can hardly be circumvented entirely. For one thing, as Boone notes, if donors belp the poor directly, their rulers could simply respond by giving them even less domestic help. More important, hypassing governments is by any reckoning an admission of defeat. The underlying assumption is that the countries concerned are not in a position to develop into normal functioning states. All we can do is to help shore up small pockets of the country which can be kept out of the government's way.

Boone's research does not condemn us to such a pessimistic approach. There are, as he shows, plenty of successful aid programmes working around the world, many of them administered by governments. The trick will be to reorientate aid programmes to target money at governments that can be counted on to spend it effectively, and not to be afraid of denying money to those who do not.

Miserly though it is, the new multilateral debt initiative effectively takes just such an approach. It will take continued pressure by debtors and their supporters to ensure that the G7 leaders' stick to their promises.

But the premise on which the programme is based, that it is worse than pointless to belp governments which are *not* dsdicated to improving the lot of the entire population, is the right one.

The devslopment community cannot afford to be dsfsnsive about ths faults of aid programmes, or about the governments that administer them. Others are only too happy to believe that aid is throwing money down a rathole. It is up to its supporters to ensure that It is not.

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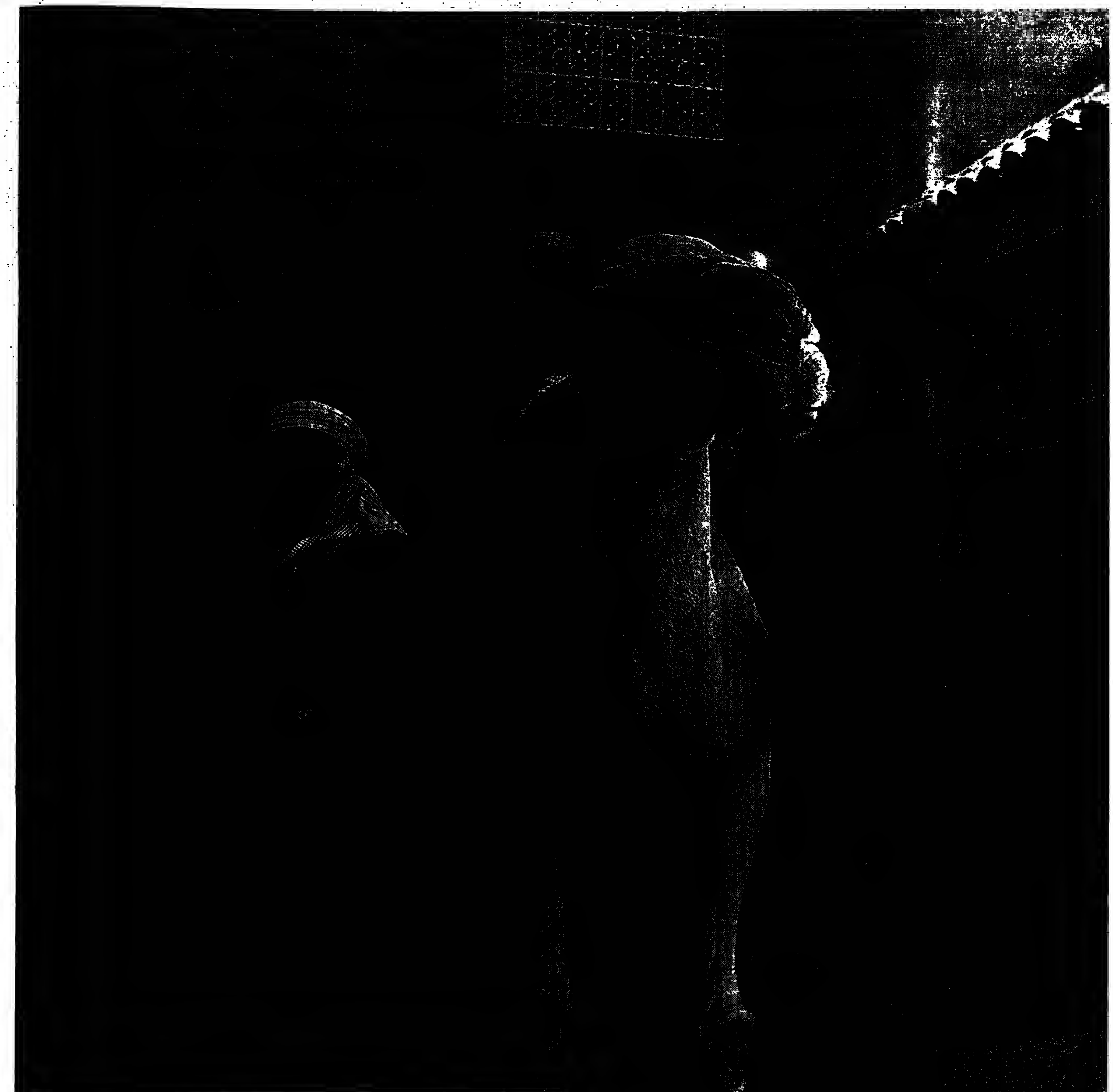


MANAGEMENT

Stefan Wagstyl on two authors' crusade for a trimmed-down, waste-free means of production

The allure of a leaner figure

It is not every day that a company is saved by a chief executive with a chainsaw. But that is what happened at Porsche, the German sports carmaker.

When Porsche was on the brink of collapse in the early 1990s, its desperate managers called for advice from Japanese manufacturing experts.

Chihiro Nakao, a former top engineer at Toyota Motor, toured the Stuttgart plant and decided it needed complete reorganisation. Among other things, he said workers were being swamped by the piles of parts stacked on racks high above the shop floor. "Where's the factory?" he asked, standing in the middle of the pride of German engineering. "This is a warehouse."

Nakao ruled that the excess stocks had to go – and that they had to be removed in a way which drove home the message that life in the plant could never be the same again. So he asked Wendelin Wiedeking, then Porsche's chief executive and now chairman, to come with him to the engine assembly room and bring a chainsaw. Surrounded by Porsche staff, Nakao asked Wiedeking to go down the aisles and cut the height of every storage rack in half.

As Manfred Kessler, a manager, remembers: "It was the defining moment. Historically, senior management never touched anything in the plant and no one ever took such drastic actions so directly and quickly." By the end of the week, the parts inventory in the engine room was reduced from 28 days' supply to seven and Porsche had taken the first step towards the most radical restructuring in its history.

The reconstruction of Porsche is one of the many stories told with great skill in *Lean Thinking* by James P. Womack and Daniel T. Jones, who established themselves as leading analysts of manufacturing with a previous book on the motor industry – *The Machine that Changed the World*.

The Machine was a clarion call to the American and European motor industries, warning executives they *faced being left behind* by the manufacturing advances achieved by their Japanese rivals, especially Toyota. It struck a powerful chord and helped to prompt the industry's wholesale reconstruction.

Lean Thinking, which is published today, tries to break new ground. It argues the lessons learnt from Japan in motors can be applied in other manufacturing industries and in services. It says the key is to eliminate waste – including excess inventories of goods and parts, unnecessary movement of parts and workers, idle time during the production process, and producing goods and services which fail to meet customers' needs.

Jones and Womack argue waste elimination must be pursued not only in production, but also in product development, sales and all other departments. "Lean thinking" is their term for how this is to be achieved. It starts by defining what it is in a product that determines its value to a customer and how this value is created in a "value stream", which is all the processes applied to its production and sale.

The authors argue that "value streams" extend beyond a single company up and down the production chain. They say that in order to make this stream efficient, excess stocks must be eliminated along the chain by introducing just-in-time delivery wherever possible. The importance of just-in-time delivery is not just to cut the cost of inventories. It is also to ensure that information – for example, about sales patterns or quality problems – is relayed as fast as possible to relevant workers. This information flow needs to be so good that products are pulled through the value chain by customer demand, not by producer push. In this way only what is needed will actually be made.

Jones and Womack pay tribute to Toyota for pioneering these ideas in the 1950s. But they say that they must be learnt by practical experience.

Much of this is now familiar territory to followers of Jones and Womack and other writers on Toyota, although *Lean Thinking* sets out the case with particular clarity. Where the authors try to take the argument forward is in setting out the case for companies to look beyond themselves in order to transform a whole value chain. This can only be done in close co-operation with suppliers and customers through "collective analysis and action". The authors claim that this is the book's most innovative insight.

The trouble is, as they cheerfully admit, no company has yet done this, not even Toyota. So there are no examples of fully functioning lean value chains. Nor is there any detailed description of how such chains might operate. Jones and Womack speculate about how whole industries might be transformed. Air transport is one example: airlines, airport authorities, taxi companies, baggage handlers and travel agents might all co-operate to eliminate waste – including the time spent hanging around at airports. But it remains, as they concede, a dream.

They are on firmer ground in case studies of lean thinking at individual companies. Their descriptions of managers bringing change are a *tour de force*. As well as Wiedeking and his chainsaw, there is George David, the chairman of United Technologies of the US, wielding a metaphorical axe at the aero-engine subsidiary Pratt & Whitney.

Like Porsche, P&W had spent decades building a reputation for top-class engineering. But, also like Porsche, it had run into serious difficulties by the early 1990s in controlling costs. Managers could not extract enough efficiency gains from their vast plant, or from their their workforce which was divided into 1,151 union-sanctioned job classifications. They tried to meet the challenge by investing heavily in automation, including the purchase of an $80m state-of-the-art grinding machine complex.

Japanese experts, including Nakao, the ex-Toyota engineer, declared that, far from being part of the solution, these machines were part of the problem. The big grinders turned out a turbine blade every three minutes, but the blades they produced required painstaking preparation and cleaning afterwards. The whole process took 10 days. P&W decided to scrap the monster machine and install eight simple tooling centres for a total cost of $13.6m and with a process time of 75 minutes.

Replacing large automated plant with smaller, less sophisticated equipment is a key technique of lean thinking. There is, say Jones and Womack, no point in doing one stage of a process quickly if it results in creating waste elsewhere.

The lessons apply equally well to smaller companies, such as Lantech, a US maker of machines for wrapping plastic around goods on pallets, with an annual turnover of $70m. Pat Lancaster, the founder-chairman, found himself in trouble after competitors worked a way around his patents and started undercutting his prices. He realised he had to reorganise to survive.

The company had grown by establishing separate functional *departments including manufacturing*, product development and marketing. The factory was divided into sections making different components which were later assembled into finished machines. Often completed machines had to be reworked to configure them to a customer's requirements.

With the help of managers familiar with Toyota techniques, Lancaster redesigned his company around just-in-time operations. This meant establishing separate lines for each main product type, with the machines set up in U-shape cells so that workers could see what other cell members were doing. Surplus inventories were swept away, so was making machines for stock and reworking. In the four years to 1995, employee hours per machine dropped by 50 per cent to 80 minutes. Production time fell from 16 weeks to a maximum of five days. Delivery lead time was cut from between four and 20 weeks to between one week and four weeks.

Such changes do not come easily. Jones and Womack say it takes five years for such reforms to become rooted in a company. Success requires immense determination, commitment from senior executives and support from trained experts – often Japanese engineers familiar with Toyota's methods – who will not work for a company unless they are convinced of its commitment. Even then, it will often take a crisis before senior executives can convince themselves and their colleagues of the need for change. The reforms require careful mapping of process to identify problems and solutions. But, say the authors, the potential rewards are enormous. Companies which adopt lean thinking change not only themselves but the world around them.

Lean Thinking *by James P. Womack and Daniel T. Jones. Simon & Schuster, £16.99*

Yellowlees

PARTNERS

Erna Low Consultants

[illegible]

rather be with younger people, exploring somewhere different.

Although we discuss everything that happens with the company she leaves me very much in charge. It's a great responsibility, but it's also a great challenge."

Erna: "Finding Joanna was pure luck: one of life's little miracles. I'd been approached by La Plagne and urgently needed someone to check out the resort. Something just clicked when I interviewed her and she was on the plane to France the following day. We've worked together ever since without a single quarrel.

[illegible] I like people to fall in with my way of thinking. Joanna has always been easy to work with. She's independent, yet she doesn't take the law into her own hands.

In many ways we complement each other. The apres ski side of things is not my cup of tea, but Joanna enjoys that side of the business. For me, the most important aspect is finding good skiing and several hotels that you can recommend with confidence.

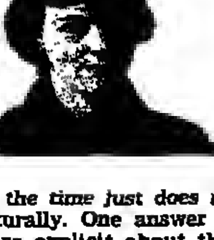
Joanna was the one who suggested we became computerised, which was something I was against at first. The moment I saw it working I said, "fine" and let her get on with it.

Her equity in the business has grown over the years and I think clients accept that she's in charge. I trust her competely because she's never done anything to shake that trust.

We meet most days to discuss what's happening. She could easily go off and do everything on her own now, but it's nice that she keeps me involved. It's rare that one finds a partner who not only fits in with one's plans and ideas, but someone who becomes a friend."

Fiona Lafferty

Permission to duck out for a day



Lucy Kellaway

There are some mornings when the prospect of a day at work just does not appeal. Indeed there are days when one's mood is so sour that the only solution seems to be to stay in bed.

Almost everyone suffers from this condition from time to time but chooses different ways of dealing with it. Some fight it, get up and take their bad mood into work. Others phone up pleading a stomach upset.

To staff at Text 100, a PR company, there is a third option. They can take a "duvet day". Each employee is allowed two days a year when they can play hookey with their employer's blessing.

This strikes me as one of those ideas so good that there is practically no chance of it catching on. The typical corporate response is to recoil from anything that costs. But I doubt if duvet days do cost. If you are a skiver, you would have taken those days off sick anyway. But if you are permitted to skive, once your entitlement is used up, you might think twice about taking further illegitimate days.

Even those with a pronounced work ethic sometimes do personal things on the company's time. After having worked hard, they coast for a bit. But most companies simply refuse to recognise this.

There seems to be something fundamental about the need to work on-off. At the beginning of the century, Frederick Taylor, the inventor of the time and motion study, found that the people who worked best at a constant, steady pace were mentally retarded. To work at 100 per cent all the time just does not come naturally. One answer is to be more explicit about this. That way we could reassure ourselves that the periods we spend standing at the coffee machine are a vital part of doing the job. Two duvet days are not a lot. But they are a start.

Everywhere management layers are being taken out, except in the finance sector, where new ones are being added. Last week Goldman Sachs created a new rank in its organisation which it has decided to call "managing director".

To old-fashioned people, managing director sounds like a senior position, but Goldman has created 70 of them, each of whom will have at least 200 people in the company who are senior to them. They will, however, be able to lord it over the vice-presidents, a veritable army of 4,000 employees.

Job title inflation is running out of hand. It is hard to convey any idea of seniority when the grandest-sounding titles are so easily bestowed on young upstarts, many of whom have only a few years' experience.

There is, however, one word that still seems to mean something, and that is "head". Only monsters have more than one head. Yet even that word has been debased, albeit grammatically. No longer can you just head something. These days you have to head it "up".

Here is a novel way of tackling stress: install futons, fish tanks and wishing wells in the office. Freemans, the mail-order company, is spending £20m building what it optimistically describes as a "perfect working environment" which will incorporate these features.

Futons (which I always thought only marginally less uncomfortable than the floor) will be installed in special "anti-stress" rooms, and there will be fish tanks for stressed-out people to gaze at. Water will be the theme, with partitions that appear to have water cascading down them, and a wishing well, which the company has cutely named "Freemans Fountain of Youth".

I wonder if Freemans could have created the same beneficial effect on its employees' mental health at rather less cost. According to a survey by Hays Accountancy Personnel last week, the thing that makes British workers really happy is a subsidised office biscuit tin. Admittedly the people who took part in the survey were not asked if they'd prefer a fountain of youth. Had this been one of the options, I'd be prepared to bet a packet of chocolate biscuits what they would have plumped for.

I apologise to readers for my somewhat eggcentric advice last week on ordering a boiled egg in France. I have now received more letters than I have eaten either hard- or soft-boiled eggs telling me that the correct phrase is *un oeuf à la coque*.

I can only suppose that the Frenchman whom I consulted last week is such a gourmet that he never eats this peculiarly British dish.

BUSINESS EDUCATION

The Sloan school is creating ways to deliver lifelong learning, says **Della Bradshaw**

The ticket to the future

It used to be the case that two years at business school was enough to set a would-be director up for life. But the upheaval of the 1980s has taught companies and business schools – if not yet the ebullient 30-year old business graduate – that managers need to be continually re-educated if they are to maintain a grip on management practice and technology implementation.

The result has been a rise in talk of "lifelong learning". The phrase already seems hackneyed, but the concept is one that business schools have hardly got to grips with. And it is one that presents them with their biggest challenge: how to ensure their alumni stick with them in future rather than turning to other business schools or training organisations.

In Cambridge, Massachusetts, the Sloan School of Management at the Massachusetts Institute of Technology (MIT) is planning a voucher system as a way of tying students to the school. Future master of business administration (MBA) students would take a fistful of vouchers on graduation which they could later exchange for courses. The cost would be built into the initial MBA fees.

The scheme could be in place as early as next year. "My own objective would be that the class of 1999 would have the vouchers," says Glen Urban, dean of the Sloan school.

Carving out a future: Glen Urban shares an office at the Sloan school with many of his own sculptures

The voucher scheme is just one of the ways Urban has altered the graduate management experience at Sloan since his appointment three years ago.

It is just two years ago since the MBA was introduced. Before that students had to write a thesis and received a master of science degree. In an attempt to make the courses more practical, the number of core elements has been reduced from 13 to six, completed in a single semester rather than a full year. Students can then choose from 100 optional programmes.

To steer students through the electives the school has introduced a track concept for students who want to work in, say, banking or marketing. The most popular track *is unlikely to cause raised eyebrows*: consultancy. Indeed, 43 per cent of the class which graduated in 1996 went into consultancy.

Further, Urban has masterminded a joint degree between the Sloan school and the MIT School of Engineering which will use the Internet to deliver course material to participants in the workplace. The course is intended for the sort of student who would "build a 747 or a global telecommunications *system*," as *Urban puts it*.

The school has already pioneered the use of the Internet for an executive courses this autumn. The course on negotiation was open to alumni from the school, a first step, Urban believes, in the move towards lifelong learning.

Moreover, it is not just the MBA programme to which Urban has turned his attention. A mild-mannered man and an accomplished amateur sculptor, he has been steering the Sloan school through a period of rapid cost-cutting and change.

Urban's mission on taking over the job, he says, was to mould Sloan into "the pre-eminent business school of these times", and to do so within the financial constraints of the day.

Increasing the size of the MBA programme to 300 students – still small by US standards – has given Urban the funds to expand elsewhere. He managed this with a minimal increase in staff by pushing through a productivity strategy based on a points system to equalise the teaching load between faculty members. The result was a 25 per cent productivity increase.

Communication with his staff has gone well, but Urban believes the outside world still does not get the full picture. In particular, the "MIT shadow effect" colours employers' views of the calibre of a *Sloan graduate*. "The *negative* effect is that people think we're turning out a bunch of nerds."

NEWS FROM
CAMPUS

Driving away with the students

Ford is to offer seven scholarships for master of business administration (MBA) students in the UK.

Cranfield, London and Manchester Business Schools will each receive two of the £5,000 scholarships and Warwick will receive one.

Ford will have some input in selecting the student and the recipient's project will be undertaken at the company. But there is no obligation for the student to join Ford at the end of the course.

Ford: UK, (0)1277 253000

Course in Paris in the new year

The Hec School of Management in Paris has developed an intensive 16-month fulltime MBA programme on which the students will be taught in both French and English. Students will study a two-semester core programme followed by optional courses selected from a list of 75 possible topics. In the final four *months* they will be involved in a fulltime company project.

The programme will run from January 1997.

Hec: France, 1 39 67 73 79

Kellogg announces its Internet plan

The latest school to devise ways of putting research material and case studies on the Internet is the Kellogg Graduate School at Northwestern University. Kellogg has announced a partnership with Digital Knowledge Assets, specialists in corporate Web-based applications.

Initial development begins this month, focusing on the areas of marketing and finance.

Kellogg: US, 708 491 3300

Students air their voices on schools

The Economist Intelligence Unit has issued the eighth edition of its directory, *Which MBA?* which contains information on more than 100 schools in 18 countries. For the first time there is e chapter devoted to the views and advice of MBA students and graduates.

EIU: UK, (0)171 830 1007

Michael Thompson-Noel · Sport

Racing seeks its pound of horseflesh

Here is a fishy horse-racing tale that casts light on the grasping-ness of those who manage racing in Britain. It starts with next weekend's running of Europe's top race – then ventures into the muddied economics that stigmatise British racing.

Next Sunday, many rich racehorse owners will jet to Paris for Longchamp's Prix de l'Arc de Triomphe, a 1½-mile thriller which, every now and again, reveals – or crowns – an outstanding equine champion.

Last year's winner, the American-bred, Arab-owned and English-trained Lammtarra, was a charismatic English Derby winner whose racetrack exploits and potential value as a stallion were such that his owners, the ruling Maktoum family of Dubai, were recently able to sell him to Japan for a reported $30m (£19.2m).

England's best hope in next Sunday's Arc is probably Pentire, an eccentric colt but capable of great speed when he feels like it. If the bettiog is to be believed, Pentire is unlikely to beat the Frencb-trained favourite, Helissio, who won bis tune-up race at Longchamp oo September 15 when described by his trainer, Elie Lellouche, as only 80 per cent fit.

One of Helissio's most valuable characteristics is his biddability. "You can do anything with him [in a race] – lead, if you want, or come from behind. He goes on any ground," says Lellouche. English bookmakers rate Lellouche's colt as 3-1 pre-race favourite.

However, an English-trained runner could finish in the money, and place prize-money in the Arc is large. Even if no English runner is placed in the race, it is likely that English-trained raiders will win sackfuls of francs in other Longchamp races next Sunday.

Indeed, English-trained runners are often flown to foreign race tracks – mainly in continental Europe, sometimes elsewhere, including the US – where they race for pots of prize-money. Then they fly home again.

Occasionally, horses trained outside England plunder English races. But English prize-money, infamously low, is not an alluring target for foreign owners. As a result there is a significant gap, in England'e favour, between the amount of foreign prize-money won by English-trained borses and the English prize-money won by foreign-trained horses.

Now for the fishy bit.

The British Horseracing Board, which supervises UK racing, is appealing to Kenneth Clarke, the chancellor, for a further reduction in off-track betting duty in his Budget in November.

Clarke has already reduced betting tax this year. On March 1 it was cut by 1 percentage point to 6.75 per cent of turnover. But the board wants it cut again, to 5 per cent. It says that for too long, UK racing has been over-taxed and underfunded.

From its suggested 1.75-point cut in tax, it wants Clarke to allocate 0.75 of a percentage point of turnover to racing, to boost prize-money and stimulate racing investment. The remainder would go to punters – reducing the deductions levied on their bets, helping to promote betting turnover and boosting betting-shop profitability.

However, the big sums won by English-trained horses in foreign races are cleverly glossed over in the racing board's pre-Budget submission to the chancellor.

Arguably, this devalues its case for spending part of the proposed cut in betting tax directly on propping up prize-money. Nor does the racing establishment often acknowledge *why* rich non-British owners, including oil-rich Arab owners, base some or many of their horses in Britain in the first place. The reason is this: they like Britain and they like British racing, despite its poor prize-money.

Those unused to the wiles of racing's lobbyists would be impressed by the board's submission to Clarke. It says that, excluding the cost of purchasing their horses, UK owners will this year suffer a net loss in training and racing costs estimated at £141m. Put another way, they will recover in net prize-money only an estimated 21 per cent of their training and racing costs.

British racing's prize-money/cost ratio compares badly with ratios elsewhere. In 1994, says the board, the prize-to-cost ratio was 22 per cent in Britain, 47 per cent in the US, 49 per cent in Japan, 86 per cent in France, and 143 per cent in Hong Kong.

"Forty-one countriss offered a better return on investment than Britain and only four [including Ireland] were worse."

The board ecknowledges that racing has become fully internationalised. "The most valuable races in the world are now run overseas. Modern transport... makes it simple to take horses abroad for competition, and in the period 1991 to 1995, the number of British-trained horses who won or were placed in races abroad rose from 225 to 353...

"Equally, the... pre-eminence of British racing, based on the historical status of its great races, depends on the participation of overseas-trained horses. Such international competition cannot be sustained in the absence of attractive prize-money... Between 1992 and 1995, the number of foreign-trained entries [in] British races fell from 1,362 to 1,055."

Unfortunately for the racing board, whose chairman is Lord Wakeham, there is a view in some racing circles that there is *too much* UK racing: too many tracks, races, horses. In relative terms, the majority of race-horses are not high-flying speedsters but – by genetics' law of averages – slow, fumbling creatures whose destiny, most often, is the dog-meat factory. Why punters, without whose support racing would vanish, should have to subsidise so many galumphing thoroughbreds is a moot point.

The reason why UK racing is underfunded compared to racing in other countries is that British off-track betting is mainly in the hands of commercial bookmaking combines, which drain large sums out of the sport. Scrap the bookies and the sport's finances would be transformed.

Clarke need not despair. What he should do in November's Budget is slash the rate of off-track betting duty by 4.75 points to only 2 per cent of turnover. That would charm punters and boost betting turnover.

In due course, prize-money levels would benefit. But Clarke should stipulate that the extra prize-money be allocated only to the most important races – pleasing owners of the fleetest horses, not the dullest-footed.

Meanwhile, Clarke could do worse than bet boldly on the biddable Helissio next Sunday. In trackspeak, Helissio looks home and hosed.

Defender of the franc: Helissio (left), the French-trained favourite for the Prix de l'Arc de Triomphe

Colin Amery · Architecture

Model example for London bridges

There is a river running through tbe heart of London, and it has been diverted into the sacred halls of the Royal Academy. In one of the most strikingly designed exhibitions for many years, the RA is showing 21 models of inhabited bridges spanning an artificial river. "Living Bridges" is the title of the display, which aims to convince the world that bridges can be more than mere constructions taking streams of stinking traffic across polluted urban waterways.

The exhibition was designed by one of Britain's best architects, Nigel Coates, now professor of architecture at London's Royal College of Art. Coates was given the challenge of presenting the history of the urban bridge while using the exhibition to advance ideas for spectacular new bridges for London.

It is unusual to find an exhibition that focuses on one building type, and there was a risk the show would be dull. But Coates has grasped the difficult nettle of the architectural exhibition and designed one that is thrilling to visit and effective in conveying visual excitement.

The models are all to the same scale and are beautifully made and displayed. We start with old London Bridge, built in the 11th century and until 1739 the only bridge across the London part of the Thames. It had houses, a chapel, an inn and the famous gateway where traitors' heads were displayed.

The present Financial Times design competition for a new footbridge across the Thames from Bankside, near Southwark Bridge, to Saint Paul's stresses in its brief the importance of the magnificent views to be had from the centre of the river. It also emphasises the need for silence and freedom from all wheeled traffic.

The competition is now under way, and the judges are about to start examining the 220 entries: a record number for any international competition. The shortlist will soon be known, so watch this space.

Views of the city of Florence were not the point of the Ponte Vecchio. It was trade that mattered, and the Medici dukes insisted on high-quality goldsmiths and silversmiths occupying the shops on the bridge. The Ponte Vecchio was the first shopping arcade, and although built in 1345 still stands and trades.

Two Parisian bridges follow on from Florence in the RA's show, one of them being the unexecuted project by Jaques Androuet de Cerceau, architect to King Henry III, who in 1578 designed a magnificent circular urban space that completely ignored the Seine.

The three historical English examples are all classical. In fact, it is wonderful to see the magnificent model of the proposal by Sir John Soane for what he called The Triumphal Bridge – until now only realised in drawings. The grand model of his scheme is a revelation of splendour and is the bridge that should be built to link Somerset House in central London to the South Bank, to mark the millennium.

The model of Sir Edwin Lutyens' scheme for an art-gallery bridge across the River Liffey in Dublin shows another proposal that had previously only existed in drawings – an intelligent idea that would have been workable.

However, the proposal for the Pearl Bridge in Dubai City by Mario Bellini is going to be built, and will give the city the landmark it conspicuously lacks. Bellini's bridge has a great internal stair and offers an auditorium for 3,500, floorspace for the United Arab Emirates stock exchange and a 400-bedroom hotel.

Strategy for block release

The Net is restoring community spirit to a US housing estate, writes Victoria Griffith

Barbara Johnson, a resident of a government housing project in the down-and-out city of Newark, New Jersey, laughs about the time she logged on to the computer at 3am to find her neighbour Delphin Harden on the same programme. "I typed in 'What are you doing up at this hour?' and she answered 'What are YOU doing up at this hour?'," says Johnson.

For Johnson, going online has given her a keen sense of togetherness with neighbours she once largely ignored. "I used to keep pretty much to myself," she says. "I was afraid of talking to other people in the projects. I never knew what kind of people they might turn out to be. Now, I have lots of friends."

Johnson is part of a US federal government programme called Making Healthy Music, which aims to improve people's lives by plugging them into cyberspace. She is continuing to receive government assistance while bringing up two orphaned grandchildren. Her neighbours say that since Johnson has gone online, she has become a pillar of the community.

The programme provides an insight into how things would be if the poorest in society were online. That day is not far off, many analysts believe. "Pretty much everyone in America has a telephone and a TV," says Ted Julian, an analyst at International Data Corporation, a research company. "Some day, I suppose everyone will have a computer and an Internet connection."

Under the Music programme, developed almost two years ago by Boston computer consultant Alan Shaw, participants are given a computer, software and training in exchange for promising to try to improve communication with their neighbours. They are then hooked into an intranet, a programme that links them to other users in the neighbourhood. Some 150 people now take part, using 34 computers scattered through homes, schools and churches. But not all aspects of the experiment have been a success. One goal was to encourage participants to start up small businesses. None has got off the ground.

Another Music initiative gave money to children to enable them to sell ice-cream and other treats online during the summer. "We didn't see much return," says Pamela Morgan, who administers Music for Newark. "We got the feeling that they ate most of the profits."

Yet the programme has created a community spirit many say was lacking before. Online bulletin boards list a host of forthcoming activities, including parades, festivals and benefits for neighbourhood causes. "Chat rooms" encourage users to talk about issues such as Aids and gang warfare and to exchange ideas about combatting such things.

The key to the initiative's success, say organisers, is that it is used to encourage, rather than escape from, face-to-face encounters. While participants exchange messages online, the true interaction takes place when they run into each other in the neighbourhood and organise outings and get-togethers. "We don't want people to sit at their computers all day," says Morgan.

One of the greatest unknowns in the experiment was how people with no previous technological experience would react to life in cyberspace. The results have been positive. "I've never seen an easier group to train, because they're so enthusiastic," says Tiffany Cunningham, who runs training sessions for the group.

Morgan says she worried that the written format of the programme would daunt the Newark users, many of whom are almost illiterate. Yet while their messages are peppered with spelling and grammatical errors, participants have embraced the medium, and have even used it to improve their writing skills. "I used to have a hard time reading and writing," says Harden. "But I've got much better."

Shaw believes poor areas have a greater need for online communication than wealthy communities. "Not only are people afraid to talk to each other face-to-face in these neighbourhoods, they also have a tougher time getting together," he says. "They don't have big houses to hold meetings in, like people in wealthy suburbs. They also work very different hours, on night shifts and weekends."

Music has had its share of problems. It can be difficult to get people to commit themselves to training, and participants often drop out after a few months. One gave up after her computer was stolen, believing the expensive equipment was a provocation to thieves.

For people like Barbara Johnson, though, the experience has been upbeat. "This has really changed my life," she says. "I walk around the projects and I know a lot of people. I really feel like I am living in a community now."

Paul Taylor on the problem of illegal material

Porn caught in Net

Proposals put forward last week by Internet service providers in Britain to tackle the problem of illegal material – particularly child pornography – on the Net were trumpeted by the British government as "ground breaking" and "an opportunity for the UK to take a world lead."

The proposals, dubbed R3/Safety Net, include setting up an industry-run complaints hotline, establishing monitoring and investigation procedures and adopting a self-regulatory code. They have the backing of all the largest UK Internet service providers, the government and the police and come amid rising public concern about Internet pornography.

In reality, however, many believe that the voluntary proposals, which aim to curb illegal rather than simply offensive material, may prove as controversial and ineffective as other international attempts to regulate the internet.

Even Ian Taylor, Britain's science and technology minister, admitted that "the Internet is so vast it is impossible to remove all illegal material. These proposals will only go some way to addressing the issues."

The R3/Safety Net proposals – R3 stands for Rating, Reporting and Responsibility – combine the ideas of Peter Dawe, Internet entrepreneur and founder of the Safety Net Foundation, and a newsgroup rating scheme developed by Demon Internet, the UK's largest independent Internet service provider.

Individual newsgroups will be rated to indicate whether they normally contain illegal material and what sort of illegality is involved. The Foundation will establish a telephone hotline which will allow the public to report the presence of child pornography or other illegal material in a specific newsgroup.

As for offensive (but legal) material, proponents of the scheme, which include the Internet Services Providers' Association and the London Internet Exchange, will also support rating schemes which enable it to be filtered out using commercially available software.

Each hotline complaint will be investigated by the foundation and when illegal material is identified, details will be passed to Internet service providers. Within the UK, if the authors of the material can be traced they will be asked to remove it.

Failing co-operation, the foundation will ask service providers to block the author's account and pass details to the police. When material originates from outside the UK, the authorities will liaise with the relevant overseas police force.

Despite the protests of such libertarian organisations as the Campaign against Censorship of the Internet, proponents of the scheme insist it is not intended to curtail free speech.

This has not stopped some observers from suggesting that the initiative is little more than an attempt to head off the threat of legislation. Cynics also note that the proposals appear to have been rushed through just in time for the UK party conference season.

Net experts, however, acknowledge that such initiatives will probably make it less likely that the casual Internet user will stumble on illegal pornography, but they also believe that, given the nature of the Internet, determined individuals will still find methods of circumventing these and almost any other restrictions.

Cyber sightings

● Charity site OneWorld Online has put in place what it claims is the UK's first secure system designed to handle online credit card donations to charity. SAFE (Secure Automated Financial Exchange) will be available to any charity as part of its fundraising efforts and has been tested with the help of children's charity Unicef (*www.oneworld.org/unicef*).

● La Caisse de depot et placement du Quebec (*www.lacaisse.com*) is the largest institutional investor in Canada and the 14th largest in North America. Its elegant and well-organised site is available in French and English and offers plenty of interesting information.

● Foreign Languages for Travellers (*www.travlang.com*) provides an instant translation of words or phrases between a range of languages, as well as good country-specific information and links.

● EduStock (*http://tqd.advanced.org/3088*) is designed to teach novices about the stock market and includes a tutorial on share picking.

● Business Insurance, the weekly magazine, is now online (*www.businessinsurance.com*) with a nice, content-rich site providing back articles, an events listing and an online forum for people involved in corporate risk management.

● UK optician Dollond & Aitchison's homepage (*www.DandA.co.uk*) features a downloadable "eyesaver" which gives the user a regular screen-break reminder. Nicely done.

● A new biography of former Labour leader Hugh Gaitskell by Brian Brivati is accompanied by a Gaitskell web page (*www.qmw.ac.uk/BMSS/HISTORY/GAITSKELL/gaithome.htm*) aimed at bringing together scholars of the period.

steve.mcpookin@ft.com

Financial Times on the World Wide Web
www.ft.com
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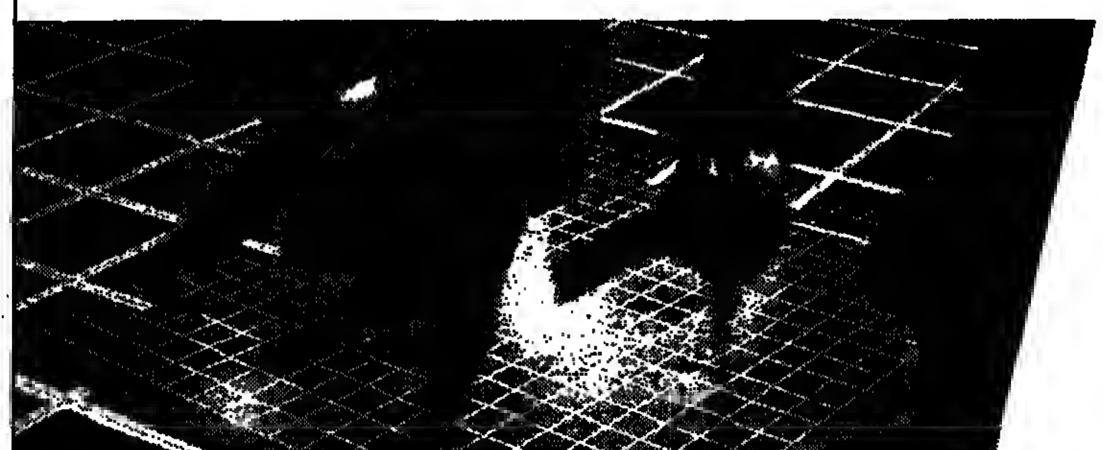


BUSINESS TRAVEL

Travel News · Roger Bray

Flights dropped

The franc fort has put paid to four routes to France from London's Heathrow airport. Air France will suspend flights to Bordeaux, Marseilles, Nice and Paris Orly from October 27.

These services are at present operated under a code-sharing arrangement by Air Inter Europe, which will now concentrate on French domestic routes.

"We are not dropping the routes irrevocably," says Air France. "But at the moment they aren't providing enough profit to make them worthwhile." On the same date the airline will switch London City airport flights from Orly to Charles de Gaulle.

Screen stars

Video conferencing, once seen as near-fatal for business travel, has not set airline executives quaking in their boots. But that has not deterred hotel chain Millennium and Copthorne from offering it at six of its UK four-star properties. It is being tested for six months at hotels in London, Birmingham, Glasgow, Manchester, Slough and at Gatwick Airport hotel. The chain has 23 properties in Europe and the US, and says it hopes to extend video conferencing to more of them when the trial has been completed.

Vietnam warning

Make sure you have liability insurance if you rent a car in Vietnam. The UK Foreign Office advises that the general level of vehicle maintenance and driving expertise in the country is poor.

Officials have also warned that violent incidents and pickpocketing are on the rise in Ho Chi Minh City.

Numbers game

It is time for regular travellers to France to start tapping some new telephone numbers into their laptops or palmtops. From late evening on October 18, everywhere except the Paris region gets an extra digit.

For the north-west – Rouen and Nantes, for example – you'll need to start with a 2. Numbers in the north-east, including those in Lille and Strasbourg, will start with a 3. In Lyons, Marseilles and the rest of the south-east, you'll need to start with 4, and in the south-west, such as Bordeaux and Toulouse, it's 5. Mobile phone numbers will start with 6. France Télécom says the changes have been forced by increasing traffic and the need to cope with future growth.

German link

The franchising net spread by Europe's big airlines continues to widen. Stand by for an announcement this week that Lufthansa has tied up an agreement with privately owned Augsburg Airlines.

Under the brand name Team Lufthansa, the smaller carrier is expected to operate connecting services to German domestic destinations from Munich.

Early bird

Sir Freddie Laker, back on the north Atlantic route again more than a decade after the collapse of his Skytrain service, has lost none of his flair for riposte.

At a recent awards ceremony he was invited to present the prize for best business class to Richard Branson, but the Virgin Atlantic chairman was late arriving. "Hang on to it until you see him," suggested the compere. Replied Sir Freddie, who is about to start his own business-class service: "I may as well hang on to it in any case. I'm going to win it next year."

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	24	24	24	23	25
Hong Kong	31	32	31	30	31
London	18	15	15	18	16
Frankfurt	21	15	13	15	15
New York	24	24	25	26	21
L. Angeles	24	26	27	29	28
Miami	25	22	30	22	24
Paris	20	16	16	17	18
Zurich	21	15	13	14	17

Michael Skapinker investigates the latest theories on coping with jet lag

Flight to the Land of Nod

If you want to defeat jet lag, throw away your brown paper soles and tuck into a bowl of ice cream instead.

The brown paper soles received strong support a few years ago when this page asked readers for their jet lag remedies. Several said they cut out pieces of brown paper and put them inside their socks when they boarded their flights.

But although two of the sole-wearers were from London's Imperial College, a leading scientific establishment, even they could not provide an explanation of how the brown papar worked.

The brown paper soles suffer from three drawbacks. The first is that brown paper is not that easy to find, having largely been replaced by plastic. The second is that fellow passengers, watching you stuff paper into your socks, will think you are mad.

The third is that Curtis Graeher, who prafers ice-cream, has never heard of brown paper soles – and he has come across most alleged cures for jet lag. It is, he says, the "greatest opportunity for snake-oil salesmen".

Graeber is chief of human factors engineering at Boeing, the aircraft-maker, which means he finds ways for pilots and passengers to travel more comfortably and safaly. The reason that a bowl of ice-cream before retiring can defaat jet lag, he says, is that it stimulates the body's production of tryptophan, which aids sleep.

But while ice-cream works for him, it might not work for you, Graeber says. More important is to understand why we get jet lag, accept that we cannot defeat it entirely, and then look for palliatives which suit us.

Graeher points out that tha problem is going to get worse. The next decade will bring faster aircraft capable of travelling greater distances. Peopla will be able to cross more time zones in fewar hours, doing ever more violence to their bodies' natural rhythms. Jet lag gets harder to cope with as we grow older. It is far easier for 25-year-olds to fall asleep at will than it is for 50-year-olds.

The first step in dealing with jet lag is to understand the rhythms of our own bodies. There are two periods during tha 24-hour cycla when we feel particularly sleepy: mid-afternoon and the hours just before dawn. Insomniacs and the parents of young children know that one usually drifts off at 4am or 5am, no matter how disturbed the rest of the night has been.

Mid-afternoon drowsiness is familiar to everyone too, hnt that has not stopped researchers from setting out to prove that it exists and that it impairs our efficiency. In the mid-1980s, researchers in rural Texas studied "single-vehicle road accidents" – in other words, drivers who managed to have accidents even when no other vahicle was in sight. The number of accidents was lowest at 10am, rose to a peak at sleepy 3pm and then declined to a low point at 7pm, when drivers are far more alert.

Thesa sleepy periods explain why people flying across the Atlantic find it easy to drop off on the night of arrival even when their body clocks are still working to their home time.

A traveller from London who goes to bed at 9pm or 10pm in Seattle, for example, should find it easy to drop off because it is 5am or 6am in the UK. For a traveller making the journey in the opposite direction, going to sleep at 11pm London time coincides with the drowsy mid-afternoon period at home in Seattle.

But the 24-hour pattern also explains why these two travellers, having had little difficulty falling asleep, will often be wide awake a few hours later. The two drowsy periods are followed by surges of adrenalin. After two hours sleep for the traveller from London, it is 7am or 8am back home – time to get up. To the traveller from Seattla, 2am in London is 6pm at home, a time when one is usually alert.

The trick is to try to extend this short period of sleep. It is usually easier to do so if you have flown west rather than east; westward travellers recover from jet lag more quickly. Scientists from the US last year published a study of the effect of air travel on the performance of major league baseball teams. Their study found that teams from the eastern US flying to play in the west did better than teams flying in the opposite direction.

Graeber says the reason it is easier to adjust when flying west is that our body clocks naturally work to a 25-hour cycle rather than a 24-hour one. There are sufficient cues during our days at home to tell us to shorten tha cycle slightly to 24 hours. When we travel westwards, however, our bodies welcome the opportunity to lengthen the cycle.

But while it takes fewer days to recover when flying west, the many travellers who stay away for only two or three days are unlikely in notice the difference. Those first few days are miserable whichever direction you travel.

One of Graeber's tips is to take advantage of how tired you are from your journey. Do not go to sleep when you arriva. If you do have to nap after flying east and arriving at your destination in the morning, set an alarm for two hours later, get up, shower and go for a walk.

Ensuring you are tired means you are likely to sleep that night. This explains why many travellers sleep better on the first night of the trip than on the second, when they have had time to recover from the journey.

Bnt there are no easy answers to dealing with the problem of waking, in the middle of the night, after those few hours of sleep. Graeber suggests taking a light sleeping pill. Some travellers use melatooin, the hormone that promotes sleep, in the same way. Instead of taking a melatonin tablet before going to bed, they take one when they wake during the night.

The efficacy of melatonin is still unproven, howevar. Research on Air New Zealand crews suggested that while melatonin might be effective when used as a sleeping pill, it might actually slow the body's adaptation to a new time zone. And nobody yet knows what the long-term effects of taking melatonin regularly might be. Ice-cream might be fattening, but it is safe.

Eat, travel, and be healthy

Business travellers should take the same care with their diets as Olympic athletes, according to Dr James Scala, menu consultant to the Hyott hotel chain and a former adviser on nutrition to the US Olympic ski team.

If runners eat food with a high fat content, they slow down, he says. In the same way, the effect of fatty foods on travelling executives may be decreased mental capacity, mood swings and a general lack of stamina.

The hotel chain started working on the problem some time ago at its 103 properties in the US, Canada and the Caribbean with what it calls cuisine naturelle – which are typically low-fat, high-protein dishes.

The hotel chain says healthier eating is catching on rapidly among clients, and now represents almost one-third of its food sales.

Roger Bray

ARTS

OPENINGS

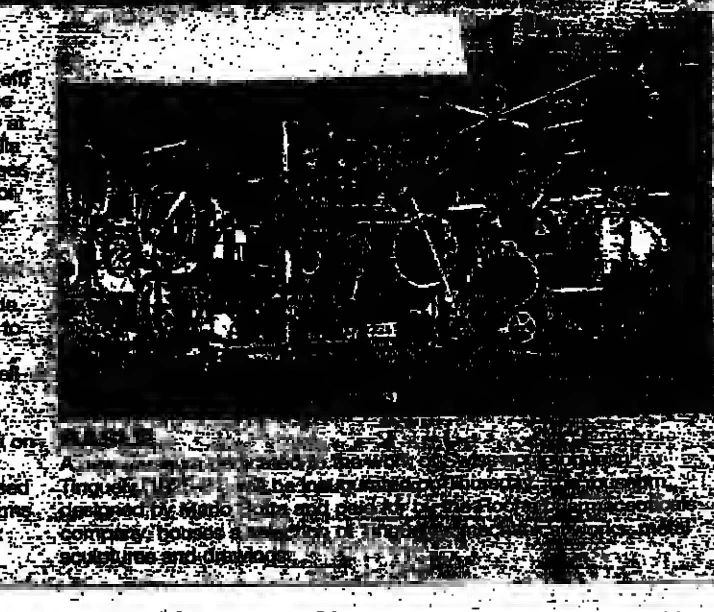
... the Royal Philharmonic Orchestra. Four other British orchestras will take part in the series, which ranges from Elgar and Vaughan Williams to Birtwistle, Knussen, Benjamin and MacMillan.

NEW YORK

The Metropolitan Opera and Carnegie Hall open their doors to a new season this week. Luciano Pavarotti heads the cast in tonight's gala performance of *Andrea Chenier* at the Met, and the Berlin Philharmonic Orchestra arrives at Carnegie Hall on Thursday for a four-concert Brahms cycle under Claudio Abbado.

Off-Broadway, the Atlantic Theater Company has revived David Mamet's 1982 play *Edmond*, about a contemporary everyman whose search for meaning sends him on a dark and sometimes violent journey. Opening night is tomorrow.

MILAN



A collection of 105 drawings by Picasso (left) will be exhibited for the first time on Thursday at the Palazzo Reale ... Scala in what promises to be a major event on the 1996 art calendar. Picasso gave the drawings to his servant, Maurice ... as a token of gratitude, and their existence only came to light after ... death in 1991. Most are in Picasso's ... erotic vein.

Luciano Berio's new opera ... is premiered at La Scala on Wednesday, in a staging by Graham Vick. The opera is based on the Ulysses legend, and forms the centrepiece of a two-week homage to Berio in Milan.

BARCELONA

An exhibition of Tibetan sacred art (below) opens at the Fundació la Caixa on Wednesday. It comprises 200 pieces of sculpture and roll-up paintings on fabric, dating from the 9th to the 19th centuries.

... Tinguely ... designed by ... company ... sculptures and drawings ...

Regions hooked on the culture habit

Thought-provoking exhibits have put the north of England on the art groupies' map, reports Antony Thorncroft

Anyone whose feet can no longer bear the weight of monumental art shows should make their way to Euston Station where they can view an exhibition of photographs of the Cumbrian landscape by Fay Godwin in less than two minutes. The gallery is the escalator to the Underground and the art is inevitably a moving experience.

It is paid for by Intercity West Coast, the soon-to-be-privatised rail company which is showing its grasp of commercial reality by pumping £25,000, plus free tickets, into the Cumbrian end of Visual Arts UK, the unexpectedly fruitful coming together of art and the north of England.

Tha north-east, to say nothing of the north-west, has never been considered the engine room of British art, so it was a great achievement by the regional arts board, Northern Arts, to see off competition from Glasgow and Bradford to win the 1996 visual arts slot of Arts 2000, former Arts Council chairman Lord Palumbo's scheme to spread culture around the UK in the run up to the millennium.

The council offers £300,000 in seed corn; the rest is up to the winning region. After the mixed fortunes of Swansea's Year of Literature in 1995 expectations were not high. But the north has delivered in terms of controversy, money and, most of all, art. The region is positively brimming with the stuff. The most dour, hard-headed local councillors in the land have turned into connoisseurs: they know what they like and they like the bizarre.

Up on the hills Andy Goldsworthy is converting 100 sheepfolds into "arty" sheepfolds, with the help of £600,000; in Darlington David Mach is slotting 350,000 bricks into a £600,000 life-sized train; by next spring the UK's most monumental sculpture of the 20th century, Antony Gormley's 60ft high 140ft wide "Angel of the North" will stagger motorists on the AI approaching Gateshead, if only by its cost – £800,000; and Bill Viola's £200,000 video of a naked man floating in a tank of water gave the tabloids the vapours when it was unveiled in Durham Cathedral.

And these are just the titbits. Still to come are the Sunderland Glass Museum, a £15m venture; the £1m improvements to the Laing Art Gallery in Newcastle; and, daddy of them all, the conversion of the Baltic Flour Mills on the banks of the Tyna into the Bankside of the North at a cost of £45m.

The most dour, hard-headed local councillors have turned into connoisseurs: they know what they like and they like the bizarre

What has made all this possible is not just the energy of Visual Arts UK director Paul Collard but the lottery. It is lottery cash that is providing much of the money for these projects, with sponsors and the local euthorities contributing the vital partnership funding. Visual Arts UK has enabled the Arts Lottery Board to give money to a deprived area of the UK, well away from London, and to create adventurous new art into the bargain.

But even if the north is getting its art on the cheap it is still an achievement to persuade the councillors in Gateshead, for example, to welcoma Gormley's steel sculpture. There, the councillors have been convinced thet art will give an essential boost to a depressed local economy, but were not prepared to contribute more than the site. In the event, Gateshead has already received £10,000 in prize money for the Angel before it has been erected.

Most other councils are prepared to put money behind their commitment: they are aware of the boost that Middlesbrough received from its Claes Oldenburg sculpture of a bottle, which quickly became the city's emblem.

This addiction to art is shown most clearly in Whitehaven, an old coal town which has been decimated by the collapse of its collieries. The edge of its bay is to be the site of a vast sculpture by the Spanish artist Eduardo Chillida, which will mark the west-coast end of a cross-country cycle track linking up with Sunderland in the east, where Alison Wilding is providing matching artwork. Along the route will be a succession of works of art, permanent reminders of the Year of Visual Arts.

Whitehaven has agreed to contribute to the cost of the £500,000 sculpture, with the rest coming from the lottery. This is e brave commitment by the local euthority. The councillors chose Chillida and are sticking with him, even though his promised sketches and maquettes have yet to arrive. They believe e monumental steel construction by such an acclaimed sculptor will bring visitors to the remote town and provide jobs.

It has not all been easy going. The American conceptualist James Turrell proposed e dome-like structure at the peak of the Pennines as one of the works on the cross-country cycle track. Unfortunately it stretched across two local authorities, Tynedale and Eden. The former is likely to approve it with enthusiasm, but the councillors of Eden took fright when a tabloid described the work as an underground lavatory. At the moment the project is in limbo and the lottery money goes begging.

This is the exception. The north generally is delighted with its art. Its main concern is to maintain the momentum into the future. This will come if the Baltic Flour Mills project is completed, providing at least 30 permanent jobs and many more part time, with spin-offs into the surrounding area.

The energy behind tha Visual Arts programme has parmeated the whols region. Two of the most acclaimed art exhibitions of the year have nothing to do with the project – the Lucian Freud exhibition at Abbot Hall in Kendal, which attracted 25,000 people, the museum's usual total for the year; and the first in-depth investigation into the life and work of Benjamin Robert Haydon, the early 19th-century artist whosa genius was only matched by his ability to quarrel with everyone, from patrons to friends. This is currently on show at Dove Cottage, Wordsworth's homa, and powerfully conveys the intellectual vigour of the era as well as giving e much needed displey to some of Haydon's most important works.

By going for the adventurous, Visual Arts has garnered a great deal of publicity, much of it specious. The screens that surround Bill Viola's cathedral video were suggested by the police as a precaution: there has not been an actual protest et the naked image. The most intellectually dubious project – Goldsworthy's sheepfolds, which could be regarded as the expensive gilding of nature and which in some cases are likely to ba viewed by a literal handful of art lovers in a year – has aroused little criticism, perhaps because it is seen as green art.

The combination of thought-provoking exhibits and scandal has succeeded in putting the north on the art groupies' map. Visits to the region's art galleries are up by between 40 and 80 per cent this year, and bed occupancy has jumped by 15 per cent. These are the kind of economic facts that speak louder in the north than any outsized product from the fevered imagination of a conceptual artist.

Alexandra Gilbreath and Hamish McColl — Alastair Muir

Theatre/David Murray

Classic play is blurred around the edges

At the Young Vic we have *Blood Wedding*, the first play in Federico García Lorca's great Andalucian trilogy. Both of the others, *Yerma* and *The House of Bernarda Alba*, have been seen quite recently in London, in distinguished stagings, but not *Blood Wedding*. Partly, perhaps, because as a modern classic it turns up so regularly in fringe and university productions; partly also because its poetry – at once flinty and florid – is damnably hard to make work in English.

Most of all, though, because it translates so well into ballet, or flamenco dance: in that form *Blood Wedding* is familiar to audiences around the world. Music and danca were always meant to be part of it. It has also been turned into an opera but not, sadly, by Lorca's close friend Manuel de Falla.

Tim Supple's staging at the Young Vic goes in more for stylised movement than dance, which is okay, but there is less song than there ought to be. When even the lullaby in the second scene was declaimed over a musical background, one began to wish that the budget could have run to some real singers.

Adrian Lee's music, performed liva by three players on a vast array of "world-music" instruments, is aptly theatrical but heedlessly eclectic. There are touches of Spanishry, but also bagpipes, chimes, a didgeridoo, singing bowls and anything else he could lay hands on. Sometimes we might be in *Star Wars* rather than among Andalucian peasantry in a hard land. Since so much trouble has been taken with the costumes, which look plain and euthentic, it seems e pity not to hava a score that matches them at least in spirit.

Suppla uses a new translation by Ted Hughes. It manages to be properly pithy, often colloquial, and yet – *nearly* always – finds speakable equivalents for key poetic phrases. It makes a fine dramatic text; but not all the actors can declaim it straight. They are constantly tempted to *act* it, with bags of ingratiating "expression" where stark declamation and tough, closed faces would have been enough.

That kind of expression is terribly English, and it thrusts personalities at us where only *personae* (I won't say "archetypes") are in order. The best example is Gillian Barge as the mother of the unlucky bridegroom: the guarded, gloomy face is excellent, but on her lips almost every line drips with Home Counties inflections, suggesting ironies which are not in the text.

Both the bridegroom and his secret rival Leonardo (Hamish McColl and Jasper Britton) look good – plain, upstanding, truculent – but soon they too succumb to the acting curse. Somebody should have introduced them to some Spanish peasants. And the casting of Selma Alispahic as not only Leonardo's wife, but also the poetical moon in Act 3 (who ought to be "a young woodcutter with a white face"), is an affliction: her strong Balkan accent, which sounds German, makes her a distracting, inexplicable foreigner amid this tight little community. "Look, my valleys of leches are coming awake!"

The petulant bride (Alexandra Gilbreath) is rather too young for her grown-up passion, and the six boys and girls who amount to the chorus are mere adolescents when they should be like the three lovers, sturdy and marriageable. Still, the broad lines of Supple's production are clean and reasonably sharp; sharp enough to make us feel the eerie strength of the play. It was high time that *Blood Wedding* had a London revival. It *is* a classic, and a unique one; and if the details here leave room for quibbling, the impact of the whole piece is not lost. Smudged a bit, certainly; but potent nonetheless.

Until November 2 at the Young Vic, SE1.

INTERNATIONAL ARTS GUIDE

AMSTERDAM

OPERA
Het Muziektheater
Tel: 31-20-5518117
● The Nose: by Shostakovich. Conducted by Hartmut Haenchen and performed by De Nederlandse Opera and Het Nederlands Kamerorkest. Soloists include David Wilson-Johnson, Richard Angas and John Daniecki; 8pm; Oct 5

ANTWERP

CONCERT
De Singel Tel: 32-3-2483800
● Christian Zacharias: the pianist performs Schubert's Sonata in A minor, D537, Sonata in E sharp, D568 and Sonata in A, D959; 8pm; Oct 2

BARCELONA

EXHIBITION
Fundació Joan Miró
Tel: 34-3-3291908
● Andy Warhol: exhibition including 70 paintings and sculptures plus two installations, "Silver Clouds" and "Cow Wallpaper", by Andy Warhol (1928-1987). The organisers aim to highlight Warhol's importance in contemporary art. The works on display come from European and American collections; to Dec 1

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Sinfonieorchester des Mitteldeutschen Rundfunks: with conductor Neeme Järvi and posaune-player Sebastian Krause perform works by Pärt, Arutjunjan and Brahms; 8pm; Oct 1

OPERA
Staatsoper Unter den Linden
Tel: 49-30-20354438
● Semele: by Handel. Conducted by René Jacobs and performed by the Akademie für Alte Musik. Soloists include Janet Williams and Iris Vermillion; 6pm; Oct 3

COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Württembergisches Kammerorchester Heilbronn: with conductor Jörg Faerber, violinist Frank Peter Zimmermann and viola-player Tabea Zimmermann perform works by Haydn, Hindemith and Mendelssohn; 8pm; Oct 1

OPERA
Opernhaus Tel: 49-221-2218240
● Le Nozze di Figaro: by Mozart. Conducted by Alicja Mounk, performed by the Oper Köln. Soloists include Nina Stemme, Edith Lienbacher and Jean-Luc Chaignaud; 7pm; Oct 4

DRESDEN

OPERA
Sächsische Staatsoper Dresden
Tel: 49-351-49110
● Nabucco: by Verdi. Conducted by John Fiore and performed by the Sächsische Staatsoper Dresden. Soloists include Hans-Joachim Ketelsen, Tom Martinsen and Soja Smoljaninova; 7pm; Oct 2, 5

HELSINKI

DANCE
Opera House Tel: 358-0-403021
● Finnish National Ballet: perform William Forsythe's The Second Detail to music by Willems, Jiri Kylian's Forgotten Land to music by Britten and *Harald Lander's Les Etudes* to music by Czerny and Riisager; 7pm; Oct 4

HOUSTON

EXHIBITION
Contemporary Arts Museum
Tel: 1-713-526-0773
● Lari Pittman: this mid-career survey of Southern California artist Lari Pittman highlights 35 of Pittman's works, including new paintings created specially for this presentation; to Dec 31

LEIPZIG

CONCERT
Gewandhaus zu Leipzig
Tel: 49-341-12700
● Gewandhausorchester: with conductor Miguel Gomez Martinez and pianist Wibi Soerjadi perform works by Ravel, Roussel and De Falla; 8pm; Oct 4, 5

LONDON

CONCERT
Barbican Hall
Tel: 44-171-6384141
● Die Jahreszeiten: by Haydn. Performed by the City of Birmingham Symphony Orchestra with conductor Sir Simon Rattle, soprano Christiane Oelze, tenor John Mark Ainsley, baritone Thomas Allen and the City of Birmingham Symphony Chorus; 7pm; Oct 4

Royal Festival Hall
Tel: 44-171-9604242
● Philharmonia Orchestra: with conductor John Eliot Gardiner and pianist Krystian Zimmerman perform works by Schubert and Brahms; 7.30pm; Oct 3

NEW YORK

CONCERT
Merkin Concert Hall – Abraham Goodman House
Tel: 1-212-5013330
● Radical Jewish Culture: a programme featuring John Zorn and Masada with the Lynn Shapiro Dance Company in a collaborative, improvisatory new work, and a performance of John Scott's song cycle In These Great Times by tenor John Horton Murray, guitarist John Scott, double bass-player Trevor Dunn and drummer/percussionist Kenny Wollensen; 8pm; Oct 1

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● The Edith and Milton Lowenthal Collection: approximately 50 works from the collection of Edith and Milton Lowenthal are reunited for this exhibition. The works – mostly paintings by such artists as Milton Avery, William Baziotes, Romare Bearden, Stuart Davis, Arthur Dove, Marsden Hartley, Jacob Lawrence, John Marin, Georgia O'Keeffe, Charles Sheeler and Max Weber – range in date from about 1914 to 1952. The exhibition celebrates the Lowenthals' pioneering efforts to promote a wider appreciation of contemporary American art in the 1940s and 1950s; from Oct 1 to Jan 12

OTTAWA

EXHIBITION
National Gallery of Canada
Tel: 1-613-990-1985
● The Ingenious Machine of Nature: Four Centuries of Art and Anatomy: exhibition of approximately 125 prints, drawings, small sculptures and anatomical atlases dealing with the human body, both nude and dissected, illustrating the interrelation between artistic and anatomical developments in northern and southern Europe including Venice, Rome, Paris, Strasbourg, and Zurich. The works, dating between c. 1490 and c. 1760, come from European and North American collections; from Oct 31 to Jan 5

PARIS

CONCERT
Théâtre du Châtelet
Tel: 33-1 42 33 00 00
● Los Angeles Philharmonic: with conductor Esa-Pekka Salonen and baritone Willard White perform works by Mussorgsky and Stravinsky; 8pm; Oct 1

EXHIBITION
Fondation Cartier pour l'Art Contemporain
Tel: 33-1 42 18 56 50
● Huang Yong Ping – Péril de mouton (Sheep Peril). Installation: exhibition of an installation by the Chinese avant-garde artist Huang Yong Ping. The work is inspired by the "mad cow" affair and is designed around two main elements – a monumental figure of a cow looming over a flock of sheep. The ensemble is raised in height so that viewers circulate through the installation; from Oct 1 to Dec 22

ZURICH

CONCERT
Tonhalle Tel: 41-1-2063434
● Tonhalle-Orchester: with conductor David Zinman and violinist Gil Shaham perform works by Wagner, Prokofiev and Dvořák; 7.30pm; Oct 1, 2

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Michael Prowse · America

Inflation apologists

Fears that price stability would reduce economic efficiency and raise unemployment are exaggerated

The Federal Reserve's decision not to raise interest rates last week was almost certainly influenced by the changing intellectual climate in the US. Absurd though it may seem, people are now worrying about the supposed harmful effects of stable prices.

Such fears are no longer confined to the political left. Mr Jack Kemp, the Republican vice-presidential candidate – and darling of the conservative right – is just as opposed to Fed tightening as Mr Robert Reich, the labour secretary.

The disease has even affected institutions occupying the political and economic middle ground. Prof George Akerlof and colleagues at the Brookings Institution, a centrist Washington think-tank, recently published a paper urging the Fed to drop its formal goal of price stability.

Since Prof Akerlof is a leading theoretical economist (and the husband of Janet Yellen, a Fed governor), the paper deserves attention.

In a dynamic economy, the authors argue, the fortunes of companies constantly change. Moderate inflation "greases the economy's wheels" by allowing companies that are doing badly to lower their real wages without actually cutting wages in money terms. If the overall price level were stable, this often would not be possible. Given the reluctance of employers to reduce wages in cash terms, they would cut employment instead.

The Brookings economists estimate that, if the Fed were to succeed in pushing inflation to zero, the equilibrium jobless rate would rise by more than 2 percentage points to about 8 per cent, against slightly less than 6 per cent if the inflation target were 3 per cent.

Moreover, the higher jobless rate would translate into a permanently lower level of national output.

But if inflation were zero why would it be impossible to cut money wages? The authors turn mystical at this point, and appeal to non-economic conceptions of fairness. "Most people," they say, "consider it unfair for a firm to cut wages, except in extreme circumstances. On the other hand, most do not consider it unfair if a firm fails to raise wages in the face of high inflation".

They try to support this claim by pointing to empirical data showing cuts in money wages are infrequent, and to the record of the 1930s when wages remained "rigid downwards" in spite of persistently high unemployment.

The argument is patently implausible. The great lesson of recent decades, surely, is that workers do understand the impact of inflation on the purchasing power of wages: in the jargon of economists, there is no such thing as "money illusion". If this were not the case, inflation would be a painless way of cutting real wages, and governments really could spend their way into higher levels of employment, just as Keynesians once assumed.

But, in practice, workers know that a 4 per cent wage increase when inflation is 6 per cent is a cut of 2 per cent in real terms. And they also know that a 2 per cent wage increase when inflation is 4 per cent is a cut of precisely the same magnitude; they do not regard it as worse simply because the cash increase is less.

Yet why would workers suddenly lose this capacity for simple arithmetic if the price level were stabilised? Why would they regard a 2 per cent wage cut with zero inflation as more "unfair" than either of the above offers? It makes no sense.

The example of the 1930s is not as telling as it seems because policymakers then reinforced the aversion to wage cuts. Even Republicans such as President Herbert Hoover had very limited sympathy for free-market doctrines. Like other politicians of his day, he feared that wage cuts would reduce purchasing power and worsen the depression. After the stock-market crash of 1929 he thus urged businessmen not to cut wages even in the face of price falls. The resulting increase in real wages pushed up the unemployment rate and greatly worsened the downturn.

Even if Prof Akerlof is right to identify some residual reluctance to accept money wage cuts, there is no reason to regard this as a social "given". Nothing is fixed in social life. In a zero inflation world, people could learn to accept the need for occasional cuts in money wages, just as they now accept cuts in inflation-adjusted wages. To assume this is impossible is to assume that people are permanently irrational – a poor, if not insulting, assumption on which to base any economic theory.

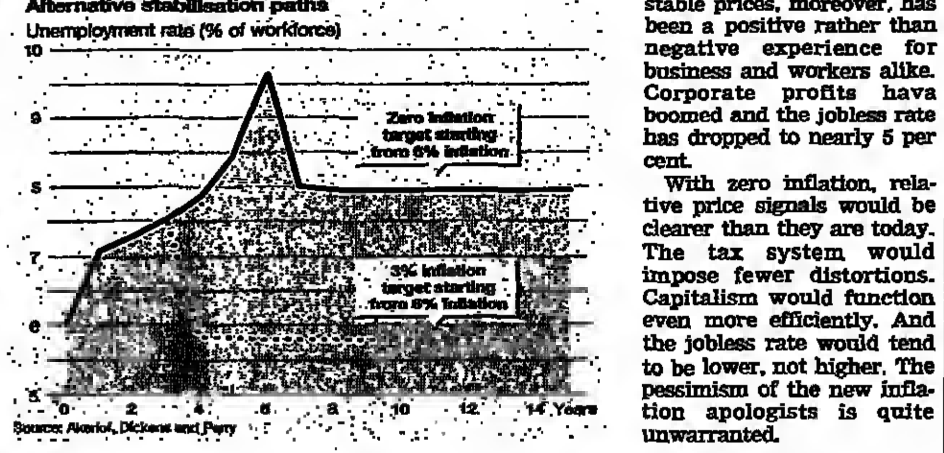
If the US had recently enjoyed a long period of stable prices, and if this had been associated with high unemployment, the concerns raised in the Brookings paper might be understandable. The truth, of course, is that inflation has been a chronic problem for most of the post-war era. Since 1950, the US consumer price index has risen by more than 500 per cent. It has risen about 40 per cent since Mr Alan Greenspan became Fed chairman in 1987 – despite his repeated avowals of the importance of stable prices.

Since the core rate of inflation has dipped below 3 per cent only in the last couple of years – a heartbeat in economic terms – it seems premature to worry about the dangers of zero inflation. The approach to stable prices, moreover, has been a positive rather than negative experience for business and workers alike. Corporate profits have boomed and the jobless rate has dropped to nearly 5 per cent.

With zero inflation, relative price signals would be clearer than they are today. The tax system would impose fewer distortions. Capitalism would function even more efficiently. And the jobless rate would tend to be lower, not higher. The pessimism of the new inflation apologists is quite unwarranted.

Alleged perils of zero inflation

Alternative stabilisation paths



Source: Akerlof, Dickens and Perry

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Leadership qualities should be defined to support value theory

From Lord Wallace of Saltaire.

Sir, It is fascinating to find a professor (Alec Reed, Letters, September 26) insisting at the same time that "the qualities required for effective commercial leadership are hard to define", that these qualities do not necessarily include either technical or linguistic expertise, but that the appropriate market rate for their salaries is, in contrast, relatively easy to define and calculate.

Market principles ought to apply to executive salaries as much as to other areas of economic life. Exceptional qualities evidently deserve exceptional remuneration. The question at issue in the current debate is whether it is appropriate that the general run of senior executives should receive disproportionate increases in salary year by year, while the general run of other employees are held back. Behind that lies the question of whether the contribution senior executives make to companies is so much greater than those of other key employees as to justify a widening gap, year by year, in the distribution of rewards.

If it is indeed the case that British executives are in such high international demand that maintaining their salary levels in line with general wage increases risks losing large numbers to other countries, then the case is made. Professor Reed and his colleagues should be able to provide the evidence to support this case.

My uninformed impression is that the UK is a net importer of top management, rather than a net exporter. That suggests that exceptional management qualities are in short supply in this country; but it does not suggest that so many of our domestic executives should command levels of remuneration comparable to those recruited from the international market.

William Wallace,
House of Lords,
London SW1A 0PW, UK

Singapore servers

From Mr Goh Liang Kwang.

Sir, Your article "Electronic undesirables" in the Media Futures column (September 9) stated that the Singapore government spent an estimated S$300,000 (£91,000) each on proxy servers to "check requests for access against a blacklist of sites containing objectionable material".

This is not true. The Singapore government did not install any proxy server. The proxy servers were installed by commercially operated local Internet services to enhance their network efficiency and meet the growing demand for Internet services. There are about 150,000 subscribers out of 744,000 households in Singapore, and the number is growing rapidly.

Proxy servers enhance efficiency by reducing download times and speed up network access for users. They are used by network administrators all over the world, including the US and Europe.

Goh Liang Kwang,
chief executive officer,
Singapore Broadcasting Authority,
World Trade Centre,
1 Maritime Square,
#09-59 Singapore 099253

Astonishing change to civilised service

From Mrs Helga Drummond.

Sir, I was astonished and dismayed by the changes to the Eurostar services reported in your Business Travel section ("Farewell to the classless society", September 23).

On frequent trips between London and Paris I very quickly learned to appreciate what I felt was a degree of civilised service the airlines can only dream of. I cannot think of anything more enjoyable after a strenuous working day in Paris than to lean back in my pre-allocated seat and enjoy a good quality meal served unhurriedly and in style, allowing time for pleasant conversation with a colleagua or another passenger.

If there really are workaholics about who prefer a quick snack on a tray in order to work all the way to London, let them travel by air. They will get what they want and can then go on working at bome.

Helga Drummond,
12 Thornbury Wood,
Chandler's Ford,
Eastleigh,
Hants, SO53 5DQ, UK

Euro question better left to market forces than politicians

From Mr Bryan Cassidy MEP.

Sir, Samuel Brittan sheds the light of long-overdue common sense on the "euro" debate ("The euro will surely come", September 26). Not once does he use the phrase "single currency" which causes so much heartburn to many Tory MPs and candidates.

The concept of a "common currency" (the term "parallel" is too much economists' jargon) is a much more comfortable one. It gives business and consumers the choice of whether to use the euro or their national currency for transactions – in other words, market forces.

The euro will have to operate alongside national currencies for some years after 1999 even in those countries which are part of the currency union. Euro notes, coins etc will not be available until after 2002.

Sir Samuel quite rightly reminds us that the US dollar is widely used in many parts of Central and South America side by side with national currencies because people there trust it more than they do their own. So is the D-Mark in many parts of the former Communist Bloc.

Many people would prefer to leave the matter to market forces rather than politicians.

Bryan Cassidy,
European parliament,
97-113 Rue Belliard,
1040 Brussels, Belgium

From Mr Thomas Hackett.

Sir, To attempt correcting Samuel Brittan is always a risky business, but surely, and ironically (given the subject of his September 26 Economic Viewpoint on the euro), it was Lord Palmerston rather than Bismarck who said of the Schleswig-Holstein question that only three men had known the answer. Of that trinity, one had died, the second had gone mad, while he himself had forgotten.

Thomas Hackett,
8 rue des Sept-Fontaines,
L-2534 Luxembourg

Robert Chote on efforts to cut 20 countries' debt burden

Relief brings its own pains

When Mr Kenneth Clarke, the UK chancellor, first proposed selling part of the International Monetary Fund's $40bn (£25.6bn) gold reserves to help finance debt relief, he saw it as a modest attempt to help some of tha world's poorest countries.

Instead his initiative has launched a relentless round of number-crunching, tortuous negotiations and intensive politicking over how it should be implemented and who should pay for it.

In two years a proposal which should cost less than the development of the Eurodisney theme park in Paris has put leading industrial countries at loggerheads and the reputations of international financial institutions on the line.

Cost of debt initiative

$bn, 1996 net present value	Baseline export growth: Assuming 90% relief from Paris Club	Baseline export growth: Assuming 80% relief from Paris Club	Baseline export growth: Assuming relief in proportion to debt holding	Weaker export growth: Assuming 90% relief from Paris Club	Weaker export growth: Assuming 80% relief from Paris Club	Weaker export growth: Assuming relief in proportion to debt holding
Bilateral and commercial creditors						
[illegible]	2.9	1.9	2.3	3.1	2.0	3.1
Other governments	0.6	0.4	0.5	0.6	0.4	0.7
Commercial creditors	[illegible]	[illegible]	0.4	0.1	0.1	0.5
Total	3.9	2.4	3.2	3.8	2.5	4.3
Multilateral creditors						
World Bank	[illegible]	[illegible]	0.9	1.5	1.9	1.3
IMF	0.5	0.8	0.6	0.9	1.2	0.8
[illegible]	[illegible]	[illegible]	0.9	1.5	2.1	1.3
Total	2.9	3.2	2.4	3.9	5.2	3.4
Total	5.6	5.6	5.6	7.7	7.7	7.7

Source: World Bank staff estimates

The initiative's objective is to help poor countries which adopt responsible economic policies to reduce their debts to levels at which export earnings, aid receipts and capital inflows are sufficient to service their borrowings comfortably. The IMF and World Bank estimate that under existing debt relief programmes, there are eight countries with unsustainable dabt burdens and at least another 12 which could easily fall into that category.

The earliest beneficiary would be Uganda, where poverty is pervasive in spite of impressiva economic reform. Debt repayments will absorb a third of its export earnings over tha next three years. Its $184m debt repayment in 1996-97 will amount to more than $9 a head – 10 times what the government will spend on basic healthcare.

Oxfam International, the aid agency and development lobby group, estimates that reducing Uganda's debt service payments to the 20 per cent of export earnings recommended by Mr Clarke would save the country $80m a year. This could finance 50,000 primary school teachers with teaching materials, basic healthcare for 2m people, vaccination for 1m children and access to clean water and latrines for 1m.

The IMF and World Bank calculate that reducing debt in such countries to sustainable levels will cost between $5.6bn and $7.7bn. But resolving the debt problems of these nations is complicated by the range of their creditors, which include governments, commercial lenders and international organisationa. The need to reconcila their conflicting interests has caused most of the initiative's problems.

The 20 poor countries identified by the bank and IMF had total external debts of $97bn at the end of 1994, measured at the present value of future repayments. About 60 per cent was owed bilaterally to the governments of other countries (many of which are members of the Paris Club of industrial countries) and 14 per cent to private sector creditors. About $21bn was owed to multilateral institutions such as the World Bank and the IMF.

The Paris Club, under its "Naples terms", can offer 67 per cent relief on most bilateral debt incurred by a country before its first request for a rescheduling. The IMF and World Bank wanted this increased to 90 per cent, after which they would step in to reduce total debt to a sustainable level.

Under this proposal, the Paris Club's share of the $5.6bn cost would come to $2.9bn, compared with $700m for the World Bank, $500m for the IMF and $1.5bn for other creditors. Mr James Wolfensohn, president of the World Bank, has promised to finance tha bank's share from its substantial net income. But controversy surrounds how to finance the IMF's contribution.

Mr Michel Camdessus, the wily managing director of the IMF, initially dismissed Mr Clarke's idea of selling and reinvesting some of the IMF's gold reserves as "selling the family silver". However, he has since embraced it as a way to put the IMF's existing subsidised loan facility for poor countries – the enhanced structural adjustment facility (Esaf) – on a permanent footing.

Germany remains opposed to gold sales, however, fearing it would create a bad precedent and that it might stir up support for sales of *Bundesbank* gold at home. An IMF board meeting two weeks ago kicked the issue into touch, agreeing to fund the debt initiative from reserves while postponing a decision on gold sales until nearer the time when Esaf needs tha money.

Gold sales have captured the headlines, but many officials believe the greatest threat to the long-term success of the initiative comes from the Paris Club and its powerful secretariat in the French finance ministry. Mr Christian Noyer, head of the secretariat, told the head of the IMF's ministerial committee earlier this month that the Paris Club governments would increase the generosity of the Naples terms only "when they deem it appropriate, taking account of the largest possible contributions of tha World Bank and the IMF".

This reflects a desire to shift more of the burden away from bilateral relief and on to the multilateral institutions. The leading Paris Club creditor governments always thought that 90 per cent debt relief was too much. At Saturday's meeting in Washington of finance ministers from the Group of Seven leading industrial countries, they agreed to push for up to 80 per cent, which would shift $1.2bn of the costs on to the multilateral organisations. But, according to Mr Wolfensohn, this means that some countries may not achiave debt sustainability.

The Paris Club's detractors say its secretariat is opposed to the very notion of a comprehensive approach to debt relief, which would rob it of its power over supplicant borrowers. As Mr Noyer said last week: "We are asking [the World Bank] to put its cheqne on the table and not occupy itself with our work". At the IMF's "interim" committee yesterday, also in Washington, ministers gave the Paris Club a fresh nudge to play its part, but its willingness to co-operate will become clear only when the first countries establish their policy track records and apply for the promised relief.

The IMF's decision to proceed with the initiative while holding back on gold sales has allowed Mr Clarke and the other finance ministers to hail a great achievement. But if the initiative succumbs to power games in Washington and Paris, it will be ordinary people in Uganda and the likc who will suffer.

FINANCIAL TIMES

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Monday September 30 1996

Italy's budget and Emu

The prospect of being hanged concentrates the mind wonderfully. In this spirit, the Italian government has decided that it must make a bigger effort to pass the Maastricht test next year. This conversion is welcome. But Italy's plans may still be insufficient.

Until last week, the left-of-centre Olive Tree coalition had planned to achieve fiscal deficits of 4.5 per cent of gross domestic product next year and 3 per cent in 1998.

It had also hoped to form a common front with Spain on the side of lenient treatment of any failure to meet restrictive definitions of the Maastricht Treaty's fiscal criteria. But Mr José María Aznar, Spain's prime minister has made it clear that Italy would obtain no such support. Whereupon the Italian government finally realised that it would have to make a bigger effort.

Last July, the government had proposed to make a structural fiscal adjustment of L32,500bn (£13.7bn or 1.8 per cent of GDP) in 1997. But because of the slowdown in the economy, this would already be insufficient to meet its *old* target. That now demands an adjustment of some L37,500bn, to which the government plans to add a one-off Maastricht tax, in order to raise an additional L12,500bn. Yet even this may reduce the deficit to only about 4 per cent of GDP, unless growth is unexpectedly strong.

The government's hoped-for escape is to follow the French down the devious path of creative accounting. But it should not be allowed to do this.

With a ratio of gross debt to GDP of more than 120 per cent – double the Maastricht reference number – and a history of fiscal profligacy and currency instability, Italy has much more to prove than France. It should be required to show that it has its deficit under durable control, which would necessitate reform of pensions, health and public administration. The fact that the government has shied away from such changes is a bad augury for its future resolve.

While this provides a strong case against any leniency, a further decline in interest rates could bring the fiscal deficit in line with Maastricht criteria, without much further fiscal tightening. Redemption yields on 10-year bonds have already fallen from nearly 14 per cent in March 1995 to 9.2 per cent last week. If Italy were a credible candidate for Emu, they might come far closer to German levels, which should render Italy's public finances sustainable.

Its partners should insist that Italy achieve its planned programme for 1997 *and agree* the reforms needed to ensure durable spending controls. If this were done, the country might deserve the benefit of the doubt. Nonetheless, it should not be too surprised if the jury takes a blacker view.

Caveat banker

The bankers of the world are watching this week's meetings of international financial institutions in Washington with one simple question. Come another Mexican-style financial crisis, will the lenders get bailed out, or won't they? With luck, they will not get a straight answer.

It would be good to think that banks active in emerging markets might be concentrating on avoiding the next Mexico, not wondering how they will be helped out when it happens. The signs are that they have become a bit more discriminating since the crisis. Yet banks will always prefer to have their emerging market cake and eat it: high returns, coupled with the security of a global slush fund if things turn mouldy.

Unsurprisingly, then, the banking community has generally supported the new "arrangements to borrow" worked out among the IMF's richest members, which will be given final approval this week. These will make a $50bn emergency credit line available to support future Mexicos. The trouble is that banks would rather the borrowing countries did not have the same feeling of security. After all, how can you trust a government to stand by its commitments when there it knows there is an automatic safety net to support it if it reneges?

As far as the banks themselves are concerned, there are two ways to resolve the conundrum. The first is to price their loans with reference to the standard country and currency risks, coupled with some estimate of the probability that a given country will be bailed out. One can be fairly sure, for example, that Mexico or Israel would get help in a crisis. But the same would not apply to Libya or Tanzania.

The second line of approach for the banks would be to prevent defaulting countries from having access to emergency lending until they have worked out their problems with private borrowers. The Institute of International Finance, whose members include leading commercial and investment banks, opposed the G10 suggestion of extending IMF emergency lending to cover countries in default on a broader range of private debts.

Such opposition is understandable. But banks cannot expect international institutions always to support lenders' interests over those of borrowers. In the midst of a crisis, the IMF's concern ought to be to minimise the short-term costs of adjustment.

As the recent deep recession in Mexico showed, there are penalties for governments after any bail-out. They should also be penalties for the banks which get caught up in them.

Smoke damage

The announcement last week that 40 lung cancer victims are to sue two of the tobacco giants is a test case in more than one way.

It will test in the British courts the ability of the tobacco companies to withstand the huge compensation claims which they have been facing in the US; and it provides the first big test of the government's new "no win, no fee" approach to legal aid.

Unlike the contingency fees system in the US, the UK system does not allow lawyers to charge more than their normal fees, whatever damages are awarded. Even so, critics argued the change would provide a "bonanza for lawyers" and the risk that frivolous cases would be brought. Supporters maintained that given the repeated reductions in eligibility for legal aid, it was a way to make justice more broadly available.

The scheme has been running for little more than a year. But the limited experience so far suggests that wider access to the law is indeed being achieved. More than 10,000 people pursuing personal injury cases have taken advantage of the scheme so far, according to the Law Society's estimates.

Few of these cases have come to fruition: only a handful have been settled before reaching court. They form, nonetheless, the first core of cases on which the critics' view of the scheme will be judged when it is reviewed in a couple of years' time.

Last week's decision, however, takes "no win, no fee" into much broader territory. Not only is it the first class action under the new arrangements, it is the first large case in which "no win, no fee" is plainly substituting for legal aid.

Those suing are some of the 200 people who, after being granted legal aid to develop their case, found it was withdrawn in July. The Legal Aid Board then took the view that the chances of success were less than 50 per cent.

Whatever the outcome, however, the action is plainly not frivolous. Too much is at stake for both sides.

The case will be important for shareholders. Antagonism to smoking is now so widespread, that a legal judgment would be helpful to suggest whether the industry may be facing large liabilities for the damage its products are said to have done.

This case may provide an important pointer – as well as demonstrating how well conditional fees are operating. It will provide a key piece of evidence on which to judge whether the Lord Chancellor is right in his longer term desire to extend "no win, no fee" into other areas of law beyond personal injury, the law beyond personal injury, insolvency and human rights.

The FT Interview · José María Aznar

Still everything to play for

Spain's PM is betting his country will win a place in the first group of single-currency nations, he tells David White and Tom Burns

Among the European leaders bidding for a place in the first group of single-currency nations, probably none has as much at stake on the decision as Spain's Mr José María Aznar.

Not only has qualification become the overwhelming determinant of Spain's economic policy – a fierce discipline in a country where unemployment is twice the European Union average – but it is also the fulcrum of the political deal keeping Mr Aznar's minority centre-right government in power.

"We shall be there," he insists. Spain is still well outside the essential requirements on inflation and public finances, but Mr Aznar is determined it can meet them by the end of next year and join the euro in January 1999.

"I am ready to take whatever measures are necessary to succeed, because I am absolutely persuaded that Spain is staking its stability and prosperity in this bet," he says. "And in the second place it is playing politically for the most important membership there is. Also, I am very convinced that this has the backing of the majority of Spanish opinion."

Since May, when he moved into the Moncloa prime ministerial complex on the outskirts of Madrid, after a hard-won agreement with Catalan regionalists, Mr Aznar has settled into his new role. His manner has become more confident, less defensive, although still a contrast with the expansive, communicative style of Mr Felipe González, his Socialist predecessor.

In the columned salon of the Moncloa palace, the white sofas where Mr González received his guests for more than 13 years have been re-upholstered in a blue brocade. Speaking fast and quietly, Mr Aznar barely moves position except when he leans forward to re-light a large cigar. Occasionally, and apparently at the cost of some effort, his features rearrange themselves into a crinkly smile.

It has been a big week for the government: an outline agreement with trade unions on the state pension system, a new arrangement on finance for the country's self-governing regions, a deal with regionalist parties to secure backing for a 1997 budget which Mr Aznar describes as "very tough".

As a proportion of the nation's output, the overall deficit has to be cut by almost a third to reach the 3 per cent target set in the Maastricht treaty.

In international financial circles, many are deeply sceptical about Spain's prospects of meeting the criteria. But an increasing number of economists in Madrid are ready to believe it might actually make it. The question only next year's events will answer is whether this 43-year-old former tax inspector is the man who can carry it off.

In his rapid ascent to take over the leadership of the conservative Popular party and bring it to power for the first time, Mr Aznar has shown himself to be both methodical and stubborn. He leaves no doubt as to his earnestness about the Maastricht goals.

That, he says, was the message he gave a fortnight ago to Mr Romano Prodi, the Italian prime minister, when they met in Valencia. Mr Aznar made it clear he would have no truck with any joint southern European approach to try to bend the criteria or the timetable.

"He wanted Spain and Italy to walk together holding hands towards Maastricht," he says of Mr Prodi. "I'm not interested in holding hands. I told him we'd be there, right at the start."

"Spain is very conscious of the political nature of the decision (on who joins), but is absolutely determined about fulfilment of the conditions," he adds. Spain's calculation is that if it can roughly match France's performance on the criteria, it cannot easily be excluded.

"The closer I am to France, the happier I will be," Mr Aznar admits. Would it be a disaster if Spain's entry was held back, if Germany proved reluctant to risk admitting "peripheral" countries at the outset? "No, it would not be a disaster," says Mr Aznar. "The thing is that I…" – he breaks his sentence with a nervous laugh – "… that it's better to get there."

Monetary union has "more advantages than drawbacks" for Spain, he says. It would be "a great opportunity" for it to become part of "a zone of stability, with low interest rates, a stable currency and clear rules of the game". These were "good aims, with or without Maastricht".

He speaks proudly of the "iron belt" of controls included in the latest budget and the "economic hygiene" that would come from making spendthrift regional governments more answerable to taxpayers. Here is the tax inspector in Mr Aznar speaking. The financial deal for the regions, which the government had to draw up to satisfy the Catalans' main demand, would mean more a re-jigging of the way funds were paid than extra costs, and in any event would cost no more than Pta200bn (£1bn) over five years.

"Spain's budget mentality and budget credibility will change very significantly," he says. In spite of union protests against the planned wage freeze in the public sector, Mr Aznar has managed to avoid any serious confrontations in his first months of government. But he has a firm belief that he can change the country's high-spending culture.

"I think one of the elements in the modernisation of Spain is changing the mentality about spending," he says, and adds solemnly, "I have taken on this responsibility and this engagement."

He has kept a close eye on preparation of the budget, which he describes as "extremely rigorous from the expenditure point of view". There is, he points out, a wider picture to the cuts (which include a reduction of more than 7 per cent in public investment). Apart from a programme of privatisations going through next year, there is to be "a grand overhaul of Spain's public sector".

This includes streamlining the administration. "It is the first time in Spain's history that the civil service, rather than getting larger, has got smaller."

But what of the high growth expectations that the Popular Party saw as carrying the country through its period of reforms? Mr Aznar puts a brave face on it. Yes, year-on-year growth in inflation-adjusted GDP had sagged to 1.9 per cent in the second quarter, but it was "perfectly possible" to recover to a 2.3 per cent rate at the end of the year and 3 per cent in 1997.

He predicts this year will also see a fall of 200,000 in the number of jobless. According to the latest quarterly survey this stands at 3.5m, or 22 per cent of the available workforce.

Inflation, which the government expected would be below 3.5 per cent at the end of the year, was at "historic lows", and the government could help bring it down further through its powers over electricity, gas and telephone charges.

Did his policies mirror the hard-line "free-market" or softer "Christian Democrat" current in his party? There is only one label Mr Aznar accepts and that is "centrist-reformist".

"I believe in policies that are possible. A policy that a country will not accept is condemned to failure." Mr Aznar's "relatively optimistic" vision includes a dose of relief that his arrival has brought no clashes such as last year's social unrest in France over welfare reforms. He jokes about scaremongers' visions of "the armoured division rolling down the streets of Barcelona".

Mr Aznar is above all a cautious man, looking for consensus, nudging rather than rolling back the frontiers of the state. In the public sector, he says, "there are areas in which prudence calls for a slow approach."

The liberalisation measure generally considered most vital for Spain's chances of competing within a single-currency bloc – easing its labour rules – is being discussed between unions and employers. He says he will wait for the outcome, but hints that if there is no agreement by early next year the government is prepared to lay down its own plan.

Steps have already been taken to liberalise telecommunications and other sectors, constraints on savings have been eased and privatisation plans have been prepared. "I think this list is pretty good for four months," he says.

It is a dogged, day-by-day approach. Mr Aznar compares it with the competitive examinations he sat 20 years ago for Spain's elite corps of "inspectors of finance". He worked 10 hours a day, learning answers by heart on about 250 topics. He still sees himself as an examinee. "At the end of the day you're competing against yourself, and you get on with your own job."

Pic: Silvina Frydlewsky

· OBSERVER ·

Buffetted Brothers

■ The savvy investment bankers at Salomon Brothers ought to know better than to think every likely lad from Omaha, Nebraska is another Warren Buffett in the making. Their reverence for America's most famous investor and Salomon's biggest shareholder appears to have got the better of them.

A year ago, *Salomon* launched an initial public offering for Normandy America, a start-up reinsurance and investment company run by 31-year-old Mr Christopher Bagdasarian in Mr Buffett's home town of Omaha. Other than its address, the company didn't seem to have much going for it – it had no operating history, according to the prospectus – except for Mr Bagdasarian's investment record of 29 per cent average returns, a boast endorsed by one of America's big six accounting firms, Deloitte & Touche.

Salomon's withdrawal of the deal after one day of trading "due to market conditions" seemed graceless enough at the time.

But the red faces at Salomon must be turning purple now that Mr Bagdasarian's claims over his investment record leave him charged with fraud and conspiracy. A former partner at Deloitte & Touche faces similar charges.

Checking for the name of a big accountancy firm may be a useful starting point but surely the timely and expensive process of "due diligence" by investment bankers should go a mite further.

Checking out

■ Bad news for visitors to Bangkok who enjoy staying at the city's famous Dusit Thani Hotel – you may have a bit of a job finding it for the next few years.

This week the Thai cabinet awarded a $956m contract to a Thai, German and Japanese consortium to build the first stage of a controversial subway system that has been on the drawing board since 1979.

The consortium says that during the five-year construction period it will need to do one or two things which the hotel's pampered guests just might not appreciate, like take over the car park, block off several entrances and operate spine-shaking construction equipment 24-hours-a-day around the hotel.

Dusit Thani chairwoman Lady Chanut Piyaoui, who has managed to keep her historic hotel full despite a massive oversupply of rooms in Bangkok, warns that under such circumstances there will simply be no guests and the place faces losses of a magnitude which could shut it down.

Given the subway system contract's colourful history, embracing internal government rows and charges of corruption, her best chance might lie in last week's departure of the Thai prime minister and the chance the whole contract could go back to square one. In the meantime, potential guests should ask what the reservations desk means by "a room with a view".

Farmer Ted

■ Domination of the airwaves is clearly not enough to sate the ambitions of Ted Turner, the occasionally headstrong founder of Cable News Network who's selling out his media and entertainment kingdom to Time Warner.

So how about a little real estate? More precisely, how about the 580,000-acre chunk of New Mexico he has just admitted to buying? On undisclosed terms, Turner has taken over the Vermejo Park Ranch in the north east of the arid state from Pennzoil. The deal brings his aggregate landholding in the state to 1,800 square miles - almost equivalent to 1.5 per cent of all New Mexico.

Turner, who is blessed with five other "estates" in Montana and Nebraska – not forgetting the conjugal companionship of aerobic actress Jane Fonda – has a particular fondness for ranching bison. He intends to let loose 4,000 of the hairy brutes on his newest property, together with a number of seasonal hunters who will pay $8,500 a week to keep the pastures clear of pesky elks.

There will be fishing, too, and isolation aplenty should he eventually tire of playing Luke Skywalker to Gerald Levin's Timelord at Time Warner. Although he will be in charge of the enlarged group's cable television network, it all seems a little too, well, pedestrian for the man who almost bankrupted himself buying MGM just to get his hands on "Gone with the Wind".

Captive crew

■ Sixty minutes on a cross-channel ferry may be more pleasurable than a whizz through the 30-mile tunnel under the English Channel. But perhaps not every ferry service reaches the heights of caring professionalism demanded by today's travelling public. Following its demise, Belgian state-owned ferry operator RMT has had to find new jobs for its staff: 30 have been swiftly reassigned to work for the prison service in Flanders.

The Financial Times

100 years ago

Endless strikes

Of the making of strikes there is not end, and labour agitators appear to be the only class in the kingdom who are satisfied with their rate of pay. It was announced yesterday that the whole of the washerwomen engaged at the Summer-lane model lodging-house, Birmingham, having been refused an increase in their emoluments, "left their tubs while the washing was in progress."

50 years ago

Lord Keynes's Fortune

Some surprise has been expressed about the large fortune left by Lord Keynes. Yet Lord Keynes was one of the few economists with the practical ability to make money. Like another great English economist, Walter Bagehot, he approved of speculation and he was a daring investor.

Lord Keynes paid a great deal of attention to the movement of commodity prices and his judgment was often accurate. He also made a tidy sum out of the risky business of whaling. Lord Keynes also made rewarding purchases of pictures and books. Liking the good things of life, he was determined to be in a position to obtain them. In fact he was a paragon of private enterprise. King's College Cambridge will benefit greatly from his will.

FINANCIAL TIMES
Monday September 30 1996

Lebed urges Yeltsin to hand over reins of power

By Chrystia Freeland in Moscow

Mr Alexander Lebed, the Russian security chief, says president Boris Yeltsin should officially hand over his executive powers until he has recovered from his planned heart bypass operation.

Mr Lebed's appeal contradicts the assertions of other senior government officials that Mr Yeltsin is still able to rule the country, and suggests that the struggle for power is heating up inside the Kremlin.

Yesterday it emerged that Mr Yeltsin, who is scheduled *to undergo heart surgery* within six to eight weeks, had ignored medical advice during tha summer election campaign, thereby aggravating his heart problem.

Dr Renat Akchurin, who will operate on the president, told Russian television yesterday that Mr Yeltsin had defied medical advice and "treated himself ruthlessly" during the campaign. In August, doctors *had doubted whether he was* well enough to withstand the strains of a heart by-pass, but the president's condition was improving, said Dr Akchurin.

Meanwhile, Mr Lebed indicated that he believed presidential powers should be handed to Mr Victor Chernomyrdin, the prime minister, even though the two men are believed to be rivals for the succession.

His intervention will keep up pressure on the government to assure Russians and the world that Mr Yeltsin is still fit to do his job.

In an interview published on Saturday in Moskovsky Kom*somolets, a Moscow daily*, Mr Lebed said that if Mr Yeltsin did not appoint a stand-in, the country risks being run by shadowy and unelected officials close to him.

"If you fall ill, you transfer authority," Mr Lebed said. "Otherwise, a dangerous precedent is set whereby it is possi*ble to rule the country* in the name of the president."

A few weeks ago, Mr Lebed *claimed he had been handed* official decrees by the president's entourage which had not been signed by Mr Yeltsin personally, but were endorsed by a facsimile of the Russian leader's signature.

In what appeared to be an effort to show that Mr Yeltsin is still actively involved in running the country, Russian television broadcast brief footage of his meeting on Saturday with General Igor Rodionov, the defence minister.

In contrast with other recent video clips, Mr Yeltsin could be heard as well as seen. He told Gen Rodionov that NATO should reach a separate agree*ment with Russia before pur*suing plans to extend membership to eastern European countries.

Mr Yeltsin has signed a decree which would hand over full presidential authority to Mr Chernomyrdin during the brief period when he is under anaesthetic, but he remains head of state.

Russian papers are all heart, Page 3

Mercedes workers strike over cuts in sick pay

By Wolfgang Münchau in Frankfurt

The battle by German trade unions against cuts in legal sick pay entitlements intensified over the weekend when 20,000 Mercedes-Benz workers called their first full-day strike. Previously they had limited themselves to brief walkouts.

The metalworkers stopped work in car plants around Stuttgart and in Bremen as opposition politicians warned of the demolition of the welfare state. Trade unionists are threatening "a hot autumn".

A law taking effect tomorrow will cut statutory sick pay from 100 per cent of wages to 80 per cent. Unions and employers, however, disagree about whether the law must override existing employment contracts.

Today's edition of Der Spiegel, the news magazine, says legal experts in chancellor Helmut Kohl's office believe that employers may be acting unlawfully if they cancel existing contracts on the basis of the new law.

IG Metall, the engineering workers union, has targeted Daimler-Benz, the parent group of Mercedes, after it led a wave of large industrial groups declaring unilateral cuts in sick pay.

Mercedes may also become a legal test case, because most Mercedes-Benz car workers have work contracts giving guarantees for full sick pay from the first day of illness.

IG Metall has called out its members for a full day of protests on October 24.

Many employers regard the old 100 per cent sick pay deals as a symbol of Germany's declining competitiveness.

But Ms Renate Schmidt, the leader of the Bavarian Social Democrats, said the new law was an attack on "the foundations of our democracy".

For the trade unions, sick pay is a crucial battleground. IG Metall secured many of the current arrangements after a 16-week strike in 1957, the most bitterly fought industrial dispute in post-war Germany.

One opinion poll says 63 per cent of German companies have refused to follow Daimler's lead. They include Volkswagen, the car maker, and Preussag, the metals group.

The government coalition is also split. Mr Kohl has called on employers not to break existing contracts. But the Free Democrats, the junior coalition partner, welcomed the decision by Daimler and other companies to implement the new law without delay.

At Mercedes-Benz, workers are specifically targeting overtime, especially Saturday work, for industrial action.

Indian coalition confident of stability and reform

By Peter Montagnon, in London

India's United Front coalition government will last a full term despite its painful birth and may attract Congress party members of parliament *into its ranks, securing stabil*ity and further economic reform, Mr P. Chidambaram, *finance minister said.*

His remarks in an interview came as scandal continues to grip the Congress party. Today Mr P. V. Narasimha Rao, former prime minister and Congress party leader until his resignation earlier this month, is due to appear in court in Delhi in connection with a swindling case involving a London businessman.

Mr Chidambaram said large national parties can no longer dominate Indian politics, as Congress did for decades before its heavy defeat in this summer's election. This implies a wholesale restructuring of Indian politics with much greater emphasis on local issues, he said.

"National parties, if they are to survive, have to convert themselves into federal parties. We cannot have centralised, centrally-run national parties. They are simply becoming increasingly unac*ceptable at the local* level."

India's United Front coalition brings together 13 parties representing regional groups, parties rooted in lower castes, communist parties and "social justice" groups – all of which broadly draw support from the rural, agrarian poor.

Mr Chidambaram, a former commerce secretary in the previous Congress government and a leading architect of India's economic reforms, defected in April after Congress formed an alliance with the unpopular ruling government of his home state of Tamil Nadu.

He said he had no intention of returning to the Congress fold once the scandals abate, despite his seemingly incongruous role as a reforming finance minister in a coalition of largely leftwing parties.

"My guess is that the bulk of the Congress party members of parliament fael the party should have a degree of participation in government," said *Mr Chidambaram.*

The leftwing parties in the ruling coalition may have some *reservations* about Congress participation, "but in the long run the UF will recognise that it ensures stability for five years."

The coalition parties have strong roots in their respective states and decisions must be considered and informed.

"The quality of the consensus is quite high. That ensures that the government will be stable and that there will be better governance," he said. "We have demonstrated a capacity to govern in the past 12 weeks, which was not given to us the day we assumed office."

India's priority, Page 4

Spain PM's pledge on single currency

Continued from Page 1

added, however: "I *am* in favour of the strictest possibla fulfilment of the criteria ... Going for flexibility would mean reviving inflationary pressures in all countries, including Spain, and undesirable deficit tensions."

He argued that southern Europe should have a presence in the euro project. "Monetary union cannot be introduced at *the cost of political balances in* Europe. One of these is the balance of the north in relation to the south."

He said this was "a demand" that should not be interpreted as asking for a relaxation of the terms for membership. "There is no decision more political than that of monetary union, but to form part of this political decision some condi*tions have to be fulfilled.*"

Mr Aznar also warned that enlargement of the EU to central and eastern Europe could not take place without satisfactory agreements on the reform of EU institutions and on the voting system, ensuring Spain kept its "corresponding weight".

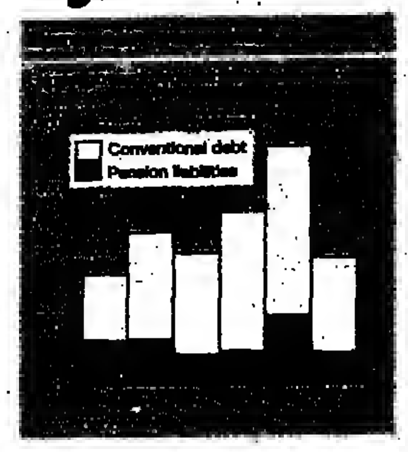
THE LEX COLUMN

Small byte at Olivetti

So, Olivetti's institutional shareholders have won a famous victory. The De Benedetti clan, which controls the struggling Italian electronics company's board, is apparently willing to allow them to appoint a non-executive director. If the company's plight was not so dire, the notion that they could be bought off with so little would be amusing. Do investors really think that a single non-executive will safeguard their interests when all the top executive posts are packed with Mr Carlo De Benedetti's associates?

Now is not the time for quarter measures. Not only is Mr De Benedetti's credibility damaged following a string of broken promises; big strategic questions are looming and a former director has cast doubt on the accuracy of Olivetti's reported results. Rather than accepting a single non-executive, investors should insist on sufficient directors to wrest control from Mr De Benedetti. They would then be able to discover Olivetti's full financial position and decide whether the current executives should stay in place. If Mr De Benedetti refuses, foreign shareholders could force his hand – they do own 70 per cent of the company.

But the institutions, as too often is the case, do not seem to have the stomach for a fight. Some say Olivetti's difficulties are so great that its banks could lose patience by the time the board was revamped. Maybe, but more likely they are simply afraid of the spotlight. If they shirk the opportunity to take control and Olivetti's situation deteriorates, shareholders will have only themselves to blame.



European pensions

As everyone knows, the European pensions problem is colossal. So are its investment implications. By one reckoning, worried Europeans are likely to generate between $150bn and $200bn a year in additional savings over the next decade or two. Where is all this capital going to flow?

Start with the demographics. Longer lifespans and a falling birth rate point to a frightening drop in multiples of workers to pensioners. In Italy, this figure has fallen from six times in 1960 to four times now; if nothing changes, it will be below 1.5 times by 2040.

The obvious consequence will be an explosion in the cost of state pensions. Since this would require implausible tax increases, many believe governments have no choice but to cut future pension benefits and get individuals to save more *now*.

This picture is probably too stark. For a start, part of governments' responses will be to raise retirement ages – in which case people may work longer but not save more. Moreover, big cuts in pension benefits may be politically undeliverable. Take Britain: it is luckier than most in its demographics and its reformed state pension now looks affordable in the long run. Yet even in Britain it remains to be seen whether governments can hold their nerve as reforms start to bite.

The most likely outcome is not black and white. Governments do have some demographics in their favour: strong growth in the number of middle-aged high savers. This alone should ensure that private savings grow. But so will the cost of state pensions. And since governments are hardly likely to find the full cost in [illegible]er taxes, they will doubtless re[illegible] to borrowing. This suggests waving an early goodbye to the fiscal good intentions of European monetary union. It also suggests that a good chunk of the growth in private savings will be eaten up by bonds, not equities.

Where does this leave fond hopes that private savings will flood into the underactive stock exchanges of continental Europe? Even to the extent that the money is not gobbled up by governments, this cannot be taken for granted. The funds will not be invested in European stocks unless these are likely to produce decent returns. And Europe will be up against a formidable appetite for capital in Asia. Moreover, Europe's ageing population will do nothing for its growth prospects. As it is, the puny size of Continental stock markets probably owes more to a shortage of good uses for capital than a shortage of supply.

This may not be the whole story. Even if a flood of savings does not flow mechanically into Continental stock markets, local companies will still have a strong incentive to compete for it. The same logic applies to fund managers and even to stock markets. To win access to this new capital, companies will surely need to demonstrate more emphasis on shareholder value; fund managers a clear focus on returns; and stock markets transparent and fair rules. Who knows? If such a virtuous circle gets going, maybe Europe's pension woes could work wonders for its equities after all.

Easdaq

Wouldn't it be great if Europe had a string of entrepreneurial high-tech successes like Microsoft and Intel? Both are listed on the US Nasdaq exchange, a forum for trading the shares of "growing" companies. Why not set up a similar exchange in Europe and repeat the miracle?

The logic behind setting up Easdaq, which opens for business today, is not that simplistic. But some of the rhetoric is. The reality is likely to be more pedestrian. While the aspiration of closing Europe's technology deficit with the US is noble, merely setting up a specialised stock exchange is not going to do the trick. A much bigger barrier is the cluster effect: although Europe produces a large number of boffins, it lacks the creative buzz of a Silicon Valley. Not surprisingly, many of Europe's best are drawn there.

Another barrier is the conservatism of European investors. Many shun equities completely: those who do not tend to be wary of high-tech stocks. Mr Peter Young, late of Deutsche Morgan Grenfell, was an exception. Again, it is hardly surprising that more than 80 European companies – such as Business Objects, the French software group – have gone straight for a Nasdaq listing and given European exchanges a miss.

This is not to say Easdaq can play a role. Some European companies, which might be minnows on Nasdaq, may feel they will get a higher profile on Easdaq. And some European shareholders may be happier investing in companies listed on a local exchange. But progress is likely to be slow.

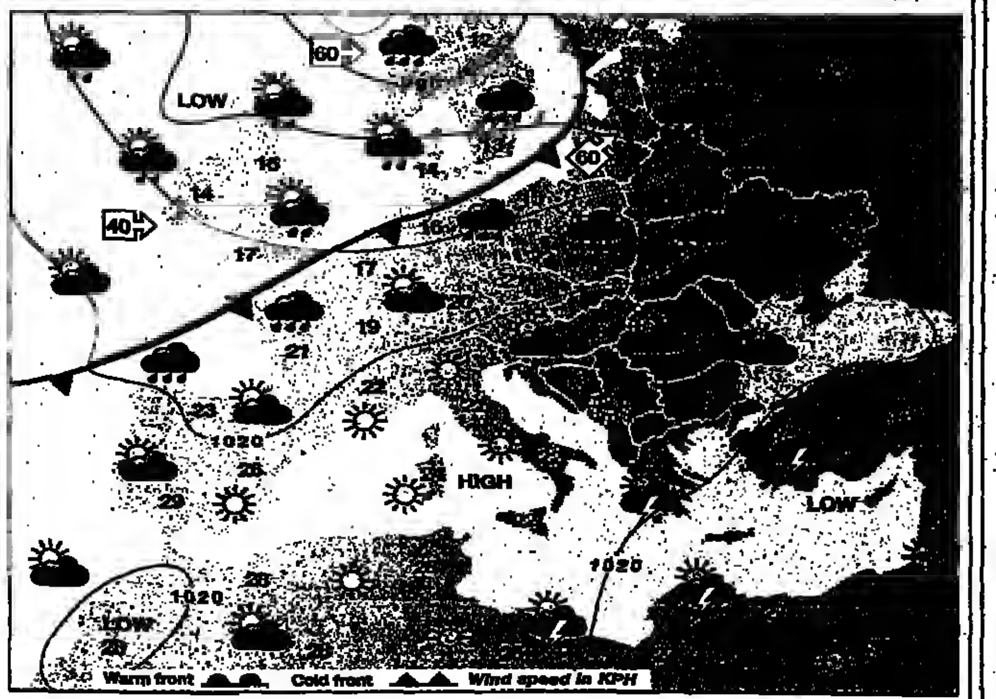
FT WEATHER GUIDE

Europe today

Most of western and northern Europe should be very unsettled. Showers are likely on the British Isles. The eastern parts of Ireland, Scotland and England will remain generally dry. There will be plenty of rain near a front sweeping east across northern and western France, the Benelux, northern Germany and southern Scandinavia. Central and southern Europe will be dry and mainly sunny as high pressure builds over the central Mediterranean. A weak disturbance will cause partly cloudy skies in Greece and Turkey.

Five-day forecast

The British Isles, the Benelux and Germany will continue mostly cloudy with rain. France and the Alps will have rain tomorrow. On Wednesday, a low pressure system will develop over the central Mediterranean, making showers and thunder storms likely in eastern Spain and Italy.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	38
Accra	fair	28
Algiers	sun	28
Amsterdam	rain	17
Athens	shower	21
Atlanta	rain	27
B. Aires	fair	20
B.ham	fair	18
Bangkok	rain	34
Barcelona	fair	24
Beijing	fair	23
Belfast	shower	13
Belgrade	sun	17
Berlin	rain	19
Bermuda	fair	29
Bogota	fair	20
Bombay	fair	30
Brussels	rain	18
Budapest	sun	15
C.hagen	cloudy	15
Cairo	sun	29
Cape Town	fair	17
Caracas	thund	31
Cardiff	shower	13
Casablanca	fair	26
Chicago	fair	23
Cologne	rain	18
Dakar	fair	31
Dallas	sun	29
Delhi	sun	34
Dubai	sun	39
Dublin	fair	14
Dubrovnik	fair	21
Edinburgh	shower	15
Faro	sun	27
Frankfurt	fair	21
Geneva	sun	22
Gibraltar	fair	24
Glasgow	shower	14
Hamburg	rain	17
Helsinki	rain	11
Hong Kong	fair	31
Honolulu	sun	31
Istanbul	thund	18
Jakarta	fair	31
Jersey	rain	17
Karachi	sun	34
Kuwait	sun	41
L. Angeles	fair	24
Las Palmas	cloudy	26
Lima	cloudy	19
Lisbon	fair	27
London	cloudy	18
Lux.bourg	shower	18
Lyon	sun	28
Madeira	fair	26
Madrid	sun	29
Majorca	sun	25
Malta	fair	26
Manchester	shower	15
Manila	rain	32
Melbourne	shower	19
Mexico City	fair	23
Miami	fair	31
Milan	sun	25
Montreal	fair	15
Moscow	cloudy	7
Munich	sun	23
Nairobi	cloudy	27
Naples	sun	22
Nassau	thund	31
New York	sun	24
Nice	sun	23
Nicosia	sun	26
Oslo	rain	13
Paris	cloudy	20
Perth	fair	20
Prague	fair	21
Rangoon	shower	32
Reykjavik	shower	7
Rio	shower	24
Rome	sun	25
S. Frsco	sun	21
Seoul	fair	23
Singapore	shower	31
Stockholm	rain	12
Strasbourg	fair	20
Sydney	shower	23
Tangier	fair	27
Tel Aviv	sun	30
Tokyo	rain	24
Toronto	fair	17
Vancouver	fair	16
Venice	sun	22
Vienna	sun	21
Warsaw	fair	17
Washington	sun	25
Wellington	fair	18
Winnipeg	fair	10
Zurich	fair	21

FINANCIAL TIMES
COMPANIES & MARKETS

Monday September 30 1996

Jardine Fleming head quit over reforms

By John Ridding and Louise Lucas in Hong Kong

A rift over reforms after a trading scandal prompted Mr Alan Smith's resignation as the head of Jardine Fleming, according to the outgoing chairman of the Hong Kong-based investment bank.

"I was unhappy with the restructuring proposal," said Mr Smith, whose departure was announced on Thursday. He was referring to last week's management reorganisation and the creation of a supervisory board. His concerns include a lengthening in the line of command which could threaten opportunities in fast-moving Asian markets.

The reorganisation followed fines of £400,000 for Jardine Fleming and compensation payments of $19.3m (£12.3m) after an investigation revealed last month that Mr Colin Armstrong, a senior fund manager, had diverted profitable client trades to his own account.

Mr Smith said disagreement over strategy was the only link between the affair and his resignation. Officials at Jardine Fleming, a joint venture between Robert Fleming of the UK and Jardine Matheson, the Hong Kong conglomerate, said neither Mr Smith nor other executives were aware of Mr Armstrong's activities.

About 100 staff at the bank had an interest in the Ninja fund, which received some of the trades diverted by Mr Armstrong. But Jardine Fleming said there had been no collusion among staff.

"We have undertaken a review of personal accounts over recent weeks and we are satisfied that no one has been advantaged in an inappropriate way," said a bank official. "Employees investing in the Ninja fund came from across the group, including a lot of junior staff. There was no question of a clique in the know."

The bank said staff should be allowed to invest in its funds: "It is the strongest tie you can get between employees and the company. They are exposed to losses as well as gains."

Mr Smith was invested in the Ninja fund through a Jardine Fleming-managed unit trust, a discretionary vehicle for wealthy individuals. But he said the trust had a bigger exposure to the Pacific Securities Trust, one of the funds disadvantaged by Mr Armstrong's trades.

The Securities and Futures Commission, the Hong Kong markets watchdog, said it had found no reason to suspect that other Jardine Fleming executives had been advantaged by Mr Armstrong's actions. The SFC said the case was now closed. It would review the reforms at Jardine Fleming in about six months.

Personal account trading for fund managers has been suspended until reforms are complete. These include the setting up of centralised dealing desks in Tokyo and Hong Kong. The bank said rules for future personal account trading had also been tightened.

The affair has damaged the reputation of Hong Kong's largest fund manager and threatened a loss of business. An estimated $3bn of investments are potentially vulnerable, although Jardine Fleming says it is winning substantial new funds from Japan.

Fund Management, Page 26

Alan Smith: concerned at longer line of command

Court set to act on tunnel debt talks

By Geoff Dyer in London and Andrew Jack in Paris

The president of the French commercial court will intervene in Eurotunnel's refinancing talks this week if the Anglo-French Channel tunnel operator fails to reach an agreement with its banks by today.

Mr Jean-Pierre Mattei, head of the court, said last week he would not renew the contracts of the two court-appointed mediators, which run out today and have been extended twice.

The suspension of the mediation process aggravates Eurotunnel's financial position as the French court has the powers to begin administration procedures.

But negotiators believe the court is more likely to try to use its influence to force the two sides to make the necessary compromises.

However Eurotunnel and its 225 banks will have to convince the court president that they are close to a deal and that the will exists to reach an agreement.

Sir Alastair Morton, Eurotunnel's co-chairman, said earlier this month the "architecture" of a refinancing of its £8.8bn ($13.7bn) of debts was in place.

The mediators, or *mandataires* – Mr Robert Badinter and Lord Wakeham – will report to the president of the court today on the refinancing talks, which are understood to have made progress in recent weeks.

The package is expected to include an initial debt-for-equity swap giving the banks up to 49 per cent of the enlarged share capital, and an issue of convertible bonds which will be redeemable by the company if it reaches certain revenue targets, but which could leave the banks in control of the company at a later stage.

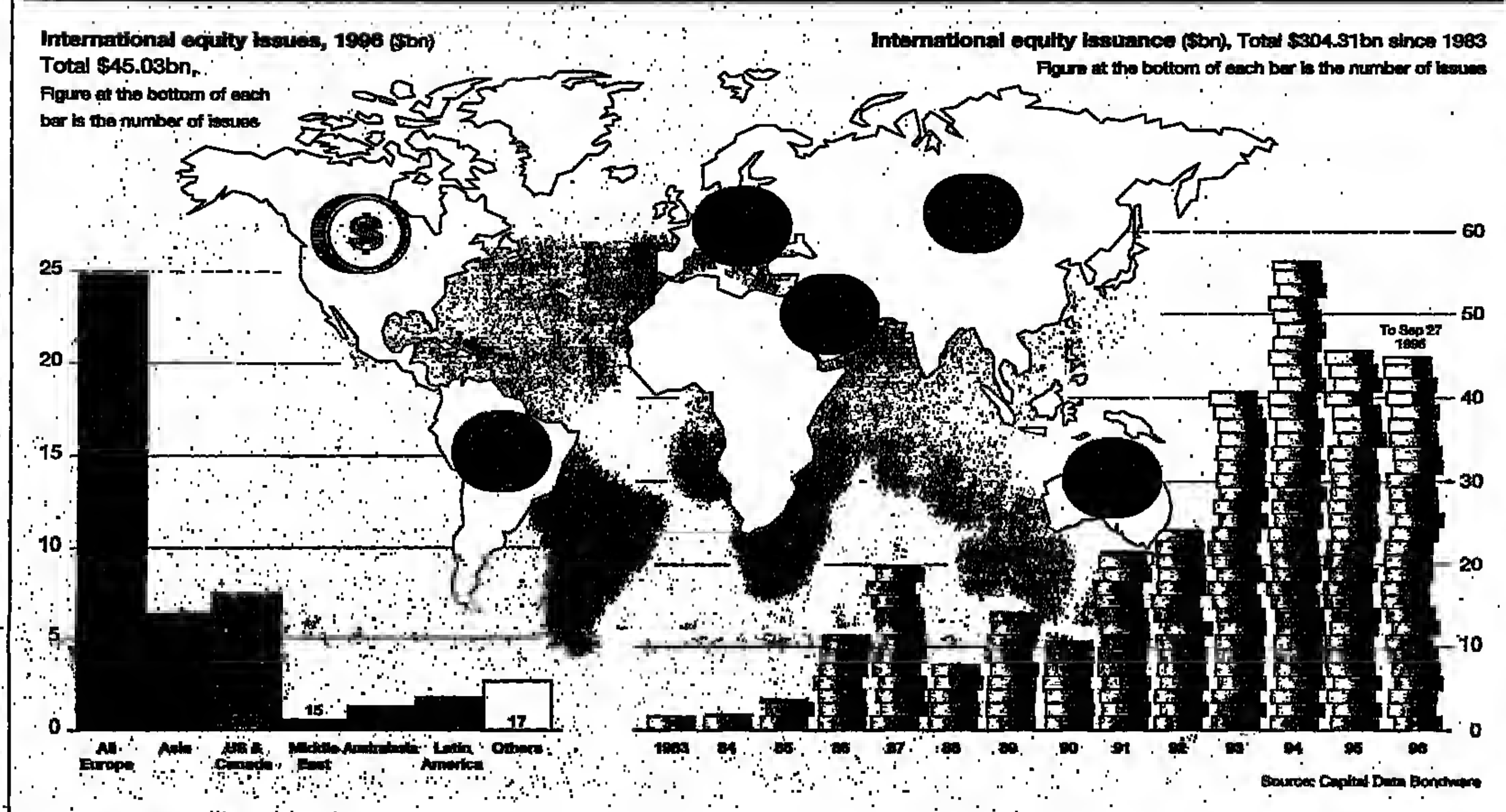
However the two sides have yet to agree the price of the debt swap or the conversion price for the bonds.

Last week Mr Mattei said: "Everyone has to take their responsibilities. I cannot believe that the banks, which were very happy to raise funding, would leave the shareholders by the wayside."

Mr Georges Berlioz, lawyer for Adacte, a Eurotunnel shareholder group, called on Friday for any conversion of debt into equity to be at FFr25 a share, or close to the price of the last rights issue in 1994.

Richard Lapper looks at the forces driving the market for new issues

What the world has to offer



International investors lap up the equity flood

The enthuelastic response on Friday by investora to a SFr600m ($500m) new issue by Tag Heuer, a Swiss luxury sports watch maker, has provided further evidence of the buoyancy of the international new issue market.

The Tag Heuer issue size was increased by more than a third earlier last week but – in common with several others recently – was still heavily oversubscribed. With investors flush with cash, attractive stock market valuations and a combination of privatisation and corporate restructuring bringing more companies to the market, overall new equity issuance this year seems certain to reach its highest ever levels.

In the first nine months of this year, about $45bn in new share capital has already been raised from cross-border issues – nearly as much as in the whole of 1995. And with two big privatisations – Eni, Italy's oil and gas group, and Deutsche Telekom – due in the next two months, the total looks set to beat 1994's $56.4bn.

"The market remains liquid for high quality issuers," says Mr Rory Tapner, head of equity capital markets at SBC Warburg. "This looks set to continue given the underlying strength of markets and the pipeline of privatisations and future IPOs [initial public offerings]."

Issuance out of Europe, Asia, eastern Europe and Latin America has more than made up for the shortfall in the US, where activity dipped in the third quarter, amid renewed fears of a possible interest rate rise.

The prospect of continued US economic expansion and stronger growth in Germany and some other European economies makes it a good time for businesses to seek capital to expand. A fall in equity markets might force some to lower their expectations, but is unlikely to slow the flow of new issues.

> The prospect of continued US economic expansion and stronger growth in some European economies makes it a good time for businesses to seek capital

The enthusiasm of governments for privatisation is the main factor helping to increase the supply of new stocks. European governments are under strong pressure to reduce fiscal deficits to meet the Maastricht criteria for European economic and monetary union (Emu).

Strictly speaking, privatisation proceeds cannot be taken into account when calculating deficits. But this month, the European Commission said a payment by France Télécom, ahead of its expected 1997 sell-off, in exchange for the government's assuming its future pension obligations, could count towards deficit cuts.

In any case, governments will still press ahead with sell-offs to reduce their debt service costs. Although the UK is coming to the end of its privatisation programme, Italy, France, Germany and Spain have long lists of companies they aim to sell.

Smaller countries, such as Finland and Portugal, are privatising assets. Portugal this month launched a $800m secondary offering in Cimpor, the country's biggest cement group.

Morgan Stanley, the US investment bank, recently calculatsd that western Europaan governmants alone could dispose of state assets worth up to $300bn over the next five years.

In emerging markets, too, privatisation has been a powerful theme. The sala this summer of nearly $1bn of shares in Telefónica del Peru was Latin America'a biggest equity-raising for more than two years.

New issues from China and Hong Kong are more than 50 per cent above last year's levels, and Russian companies are set to launch a series of sizeabla issues after false starts last year.

In addition, deregulation in sectors such as banking, insurance, telecommunications and the utilities, fiercer international competition and pressure from investors, is prompting bigger companies to restructure and is spawning new issues.

"Companies are coming under increasing pressure to generate the right level of return which means restructuring to get their asset base in order," says Mr Charles Kirwan-Taylor, managing director, equity capital markets, at BZW.

There has been a trend too for smaller European companies, such as Tag Heuer and Leica, the German luxury camera maker, to turn to international investors.

Ms Camilla Reeves, a fund manager at Hambros, the UK investment bank, says investor pressure and a new generation of managers are ushering in a new equity culture on the Continent. "There has been a dramatic re-rsting of equities in Europe," she says.

North American and European investors' tendency to diversify their holdings internationally also continues to underpin demand. US mntual and pension funds have steadily increased the amount of money they pump into overseas equities.

"We have never eeen eo much cross-border investment business by international fund managers," says Mr Rupert Hume-Kendall, equity syndicate manager at UBS, the Swiss bank.

These investors frequently turn to primary issues as the best way of obtaining large blocks of stock without necessarily moving the price. Also, the international issue market is more mature, with banks more adept at organising ths book-building through which shares are placed with large investors.

"Banks, governments and investors are all becoming more sophisticated in their approach," says Mr Kirwan-Taylor at BZW. "Investors are able to swallow in much larger gulps. It is impossible to think of Deutsche Telekom being done five years ago."

Leading appliance makers warn

By Greg McIvor in Stockholm and Richard Waters in New York

A shift in European buying habits to lower-priced, non-branded household appliances will damage third-quarter results at both Electrolux and Whirlpool.

Against a difficult economic background, European consumers have bought fewer appliances and those they have bought have tended to be less expensive, according to the two groups.

Sweden's Electrolux, the world's largest maker of household appliances, said trading in Europe deteriorated in the quarter to the end of September – the sixth in a row in which demand had fallen year-on-year.

Mr Lennart Ribohn, deputy chief executive, said: "Wa never believed that Europe would have a strong year this year. Even in the future our view of the European market is cautious, although we see no direct deterioration from now on."

The group was expecting a pick-up in European demand due to lower interest rates, but did not expect it would be felt in the final quarter.

A year ago, Electrolnx reported underlying third-quarter np 4 per cent to SKr677m ($102m).

Whirlpool of the US warned that third-quarter operating results would be 35-40 per cent below their level of a year befora – despite what it said were record results in North and Latin America. In the 1995 quarter, Whirlpool reported an operating profit of $124m and net income of $64m. The latest period will also include a $30m restructuring charge.

Whirlpool elipped into loss in Europe earlier this year and, despite a "significant" improvement since then, said it would still register a small third-quarter operating loss.

Mr David Whitwam, chairman, indicated to analysts that it had been hurt in particular by lower profit margins on refrigerators.

Whirlpool's ehares fell $1⅝ on Friday to $50½. Electrolux ehares closed SKr4 lower at SKr370.50.

INSIDE

Sandoz

Sandoz, the Swiss drugs group, has sold parts of its maize herbicide business to BASF, the German chemicals company, for $778m in a deal which removes one of the remaining obstacles to Sandoz's merger with Ciba, the Swiss pharmaceuticals group. Page 22

Thomson

Lagardère, the French conglomerate, has questioned claims by Alcatel Alsthom, the telecoms and engineering group, about the consequences of Alcatel's bid for Thomson, opening a new phase in the battle for France's state-controlled defence and electronics group. Page 22

Refuge Group

Refuge Group, the UK home services life assurer which is proposing a £1.46bn ($2.27bn) merger with industry rival United Friendly, will today announce details of a sweetener for disgruntled shareholders. Page 20

Global Investor

The relationship between the prices of so-called "high-yielding" Italian, Spanish and Swedish bonds and German government paper – typically measured by the differential or "spread" between yields – has shifted sharply since the end of August as optimism over the prospects for European economic and monetary union has increased. Page 24

Emerging markets

It is hard not to feel sorry for Russia's market reformers, who learned last week that President Boris Yeltsin's cardiogram counts as an important economic variable. Most analysts say Russia is now condemned to further financial paralysis as investors await the outcome of Mr Yeltsin's heart operation. Page 26

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COMPANIES AND FINANCE

Refuge to announce sweetener for merger

By Motoko Rich

Refuge Group, the home services life insurer which is proposing a £1.46bn ($2.27bn) merger with industry rival United Friendly, will today announce details of a sweetener for disgruntled shareholders.

The group, which has twice postponed an extraordinary general meeting for shareholders to vote on the deal, has designed an instrument that would guarantee shareholders access to future surpluses from its so-called "orphan assets" – ownerless assets accumulated in life company balance sheets – which might be released after the merger.

These orphan assets have been at the centre of shareholder complaints about the merger terms. Since the merger was announced last month, Refuge has come under pressure from investors who believe the terms disadvantage them. Perpetual, the fund manager with a 7 per cent stake, has been most vocal, declaring its intention to reject the deal on the original terms.

Any release of funds from the orphan assets to shareholders must be sanctioned by the Department of Trade and Industry. Although Refuge negotiated the release of £430m, shareholders believe further value is available.

They believe if the DTI changes its mind after the merger, surplus which should flow to them will have to be split with United Friendly shareholders.

The security instrument would put shareholders in the same position as if the surplus assets were to be released at the time of the merger. It will be transferable and independent of the shares in the merged group, United Assurance, which Refuge shareholders will receive if they vote in favour of the deal.

Ruling to end Brent saga

By David Blackwell

The long legal dispute between Brent Walker and Grand Metropolitan over the acquisition of the William Hill betting chain is expected to end today with a final ruling from the independent arbitrator.

Brent Walker, which is struggling with £1.5bn ($2.34bn) of debt, is seeking a £200m reduction in the purchase price. GrandMet is seeking the final £50m payment withheld by Brent, plus interest and costs – a sum that could reach £90m.

The ruling by Mr Ray Hinton of Arthur Anderson will bring the arbitration saga to an end, although some residual matters remain to be settled. However, Brent Walker's chances of winning a substantial reduction in the £685m price it agreed for William Hill in 1989 may have taken a substantial knock earlier this year. The High Court ruled in January that a clause of the 1989 sale agreement should be rectified to state that acquisition accounting be used to calculate Hill's profits.

GrandMet believed this was the interpretation both sides had originally agreed. Brent Walker claimed that profits should have been calculated on the basis of sustainable profits without elements such as the write-back of acquisition provisions. On that basis, it believed that Hill's pre-tax profits for the year to September 1989 had fallen well short of the £55m warranted by GrandMet.

Brent Walker admitted at the time that it was disappointed and immediately lodged an appeal, but it has not pursued the appeal pending the outcome of the arbitration. It contends that the High Court ruling affected only part of its claim.

More revelations from Flemings

Nicholas Denton on further surprises following the discovery of questionable trading

There were two developments in the Flemings fund management affair last week: one more immediately newsworthy, but the other pregnant with implications for the fund management industry.

The first was the announcement that Mr Alan Smith, chairman of the Jardine Fleming joint venture, was resigning.

He was a casualty of a management reorganisation following the discovery that the group's star Hong Kong fund manager was diverting profitable trades into his personal account.

Flemings denied Mr Smith was resigning as a result of the regulators' action.

But competitors in Hong Kong had regarded his position as untenable ever since Flemings agreed to pay £700,000 in fines to the Investment Management Regulatory Organisation and $19.3m in compensation to disadvantaged investors.

So his departure was no surprise.

The more interesting revelation was that Mr Colin Armstrong was by no means the only Flemings executive who gained as a result of his questionable trading.

Flemings had already disclosed that Mr Armstrong bought options, waited a day or so, and then put those that had gained in price into his own personal account while allocated losing positions in general to three client accounts. The group said a fund called Ninja, with which Mr Armstrong was closely associated, also benefited.

What they did not say, and what has emerged this week, is that about 100 Jardine Fleming staff including Mr Smith enjoyed clear personal gain through their investments in Ninja.

Through direct holdings in Ninja, or indirect interests through managed unit trusts or the company pension fund, Jardine Fleming employees owned up to 20 per cent of Ninja.

It is hard to calculate how much they benefited on balance.

Some were also investors in funds in which Mr Armstrong dumped lossmaking trades. Employees' share of Ninja fluctuated. Not least, Flemings' figures have been partial and highly confusing. Whatever the amount, none has been paid back.

Even if there was widespread personal gain, what does it show? Flemings maintains Mr Smith and senior Jardine Fleming executives were innocent investors with limited discretion over their own investments. Mr Armstrong may have been priming their investment performance in an irregular fashion, but they had no knowledge of that.

FUND MANAGEMENT

There is, however, an issue.

Personal account trading, while standard at all large investment banks, was particularly extensive at Jardine Fleming.

Employee money was often managed alongside that of outside clients, within the same funds, or by the same manager. From Mr Colin Armstrong, insiders appear to have received special favours, whether they knew that or not. Outside clients were disadvantaged.

Investment by employees alongside clients can be useful. It can sharpen the incentive to produce investment performance.

But, for outsiders, there is always the risk that fund managers will for reasons of internal politics favour their colleagues or the funds in which they are most evident. And even the perception of favouritism can be damaging to the reputation of fund managers, as Flemings is now discovering.

■ Mr Norton Reamer, president and founder of United Asset Management, the 14th largest investment manager in the US and 30th largest in the world, was in a bullish mood during a recent trip to the UK, writes William Lewis.

Mr Reamer is predicting change in the US fund management industry and believes that UAM, which he founded in 1980, is ideally placed to take advantage. He agrees with industry analysts who talk of serious pressures pushing the fund management industry towards a period of consolidation.

However, he disagrees with those predicting that a spate of takeovers will lead to the emergence of a small number of giant fund managers. Rather, he says, consolidation will be tempered by the natural ability of small investment organisations to deliver better performance than large organisations.

Money managers are by nature entrepreneurs and "simply prefer to work in small organisations, where they feel valued and able to make a difference," Mr Reamer says.

He therefore argues that investment management companies need to "be both large and small at the same time", something that UAM, with its 46 affiliates – or subsidiaries – is trying to achieve.

UAM's 46 affiliates, of which Murray Johnstone in the UK is one, have a total of more than $160bn in assets under management. UAM became a public company in 1986 and has grown primarily through acquisitions, although Mr Reamer says that it has also backed start ups.

British Gas deal with Scottish Hydro fails

By Simon Holberton and Robert Corzine in London

A planned purchase by Scottish Hydro of British Gas's business in Scotland and parts of the north of England collapsed yesterday when it became plain that British Gas was unable to conclude the deal while under severe commercial and regulatory pressures.

It would have seen the creation of Britain's second biggest gas company, with Scottish Hydro supplying gas to 2.5m households in Scotland, Northumberland and Cumbria.

It is understood the Scottish generator would have paid more than £250m ($390m) for the business and some of British Gas's £40bn worth of take or pay supply contracts with North Sea producers.

Neither company would last night comment on the failure of the deal but is likely to raise concerns among investors about British Gas's ability to conclude large transactions.

An adviser close to the deal said it fell through because of British Gas's inability to cope with the twin pressures of demerger and the sale of its Scottish business. Widespread problems with British Gas's billing system added to its difficulties in focusing on the deal.

"It's extremely galling for Scottish Hydro," the adviser said.

Both companies know each other well: they are partners in the Seabank combined cycle gas turbine power station on Morecambe Bay.

Scottish Hydro will push ahead with its expansion in the English electricity market, a market that takes a third of the power it currently generates and will take 50 per cent by 1999.

Although the demands of the demerger of British Gas Energy, the domestic supply and trading arm of the company, from Transco, the pipeline monopoly, was cited as the reason for the collapse of the deal, many aspects of the proposed transaction could have helped the demerger process.

SWW bidder opposes price cuts

By Jane Martinson

The chief executive of one of the water companies bidding for rival South West Water has warned that stringent absolute price cuts were "not do-able".

Ofwat, the industry regulator, has indicated that if the rival bids from Severn Trent and Wessex Water were to be approved the price cuts demanded would be the largest yet.

Ofwat believes customers should benefit from price cuts in the event of a takeover.

In an interview with the Financial Times, Mr Vic Cocker, chief executive of Severn Trent, said high operating costs in relation to turnover would make a straight price cut of something in the region of 20 per cent impossible.

"With a high margin company like South West Water," he said, "a 20 per cent cut in turnover is something like 50 per cent off operating costs. That's just not do-able."

Volvo sees US truck unit out of red next year

By Haig Simonian in Greensboro, North Carolina

Even with the appointment of a new chief executive and the launch of an important new model this month, Volvo, the Swedish vehicles group, is expecting to take up to two years to turn round its unprofitable US truck business.

Mr Karl-Erling Trogen, head of Volvo's truck division, said Volvo GM Heavy Truck, the US subsidiary, would not break even until some time next year. "In 1998, we should get back to profitability," he said.

The company last week appointed Mr Marc Gustafson, a senior executive at rival Mack Trucks, as its new US boss. Mr Gustafson, who helped rescue Mack in the 1990s, replaces Mr Per Lindquist, who was abruptly removed last August.

Mr Gustafson's appointment coincides with the launch of Volvo's "VN" heavy truck. The new model, derived from the successful European FH vehicle, should plug a crucial gap in Volvo's US range, which has been losing market share.

Volvo GM Heavy Truck, in which General Motors has a 13 per cent stake, slipped into loss this year after the downturn in the Class 8 market for heavy trucks and an even mora precipitous decline in its share.

Sales of Class 8 vehicles of over 15 tonnes have fallen 15 per cent this year. Volvo's sales of Class 8 trucks plunged 30.5 per cent in the first seven months, taking its share of that market below 10 per cent for the first time since 1987. The impact on earnings has been exacerbated by the 4 per cent fall in prices of new heavy trucks this year.

However, Mr Trogen, who assumed control of the US subsidiary pending a replacement for Mr Lindquist, admitted the company was partly to blame for its difficulties. Management had concentrated too much on the VN, prompting a "loss of focus on running current operations and a lack of cost efficiency", he said.

Mr Trogen has instituted sweeping cost cuts and a marketing push to stem the decline. Volvo expects to shed about 500 US truck jobs this year, while spending on materials, purchasing and general expenses is being slashed by between 5 per cent and 35 per cent.

However, Mr Trogen emphasised Volvo's commitment to the US, which was an essential part of its global sourcing and production strategy.

"Wa have a strong commitment to North America and I am very confident we will regain a sound business here," he said.

Swedish workhorse image takes a back seat

Today's launch of the sporty C70 coupé marks a move up-market for the troubled carmaker

At the Paris motor show today Volvo will pull the covers off the sleekest, sportiest car it has ever made.

The racy-looking new C70 coupé will be the biggest step taken by the Swedish manufacturer in its move away from the boxy workhorses for which it is famous, to a more up-market range competing with the likes of Audi and BMW.

"The design of the C70," says Mr Tuve Johannesson, chief executive of Volvo's car division, "clearly reflects the new Volvo."

The high-priced C70 is not a make-or-break model for Volvo. It will be made in small volumes for an exclusive market. But its success or failure will go some way towards showing whether the car division can recover from recent losses and carve out a profitable, independent long-term future.

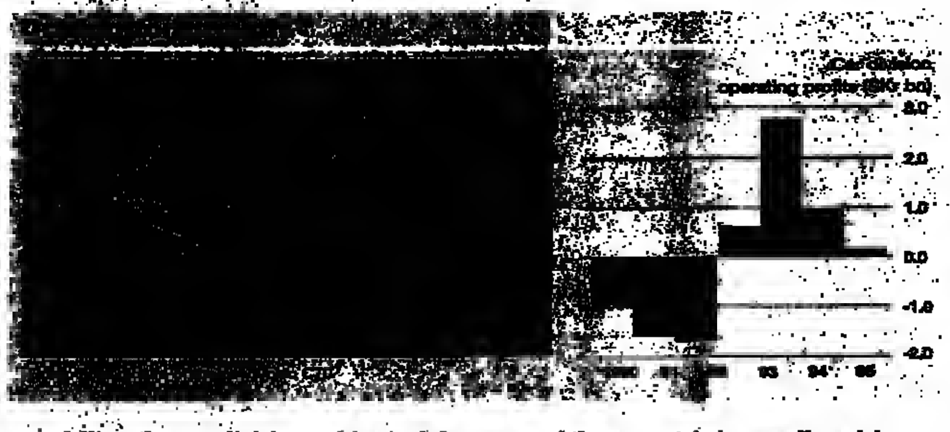
This has been an issue since Volvo broke off plans to merge with France's Renault in late 1993. It is central to the Volvo group's post-merger strategy of concentrating on its core car and truck making operations. It is a key factor for investors deciding whethar Volvo shares, which hava fallen from SKr165 a year ago to under SKr150 today, will yield a long-term return on the big investment programme under way at Volvo.

"The risk embodied in the car division is critical, becausa no-ona except the company management professes confidence that Volvo is big enough to survive independently," wrote Salomon Brothers in a recent report on Volvo.

The task facing Volvo has been clearly illustrated by its results over the past year. A combination of flagging sales and high development costs pushed the car division into the red in the last quarter of 1995 and the first quarter of this year.

In the second quarter, car operations moved back into the black. But a sharp fall in earnings at the truck division caused group operating profits to tumbla from SKr4bn to SKr2.3bn ($346.9m) in the first half.

These setbacks were followed this month by reports in the Swedish press – strongly denied by Volvo – of disquiet within the company, and speculation about the position of Mr Sören Gyll, group chief executive.



But Mr Johannesson is adamant the strategy of remodelling the car division is not in question. "I'm quite sure there are all kinds of opinions, but we in the car company have a strategy and I am convinced that we are unified around that strategy," he says.

The C70 is one of what Mr Johannesson calls tha "building blocks" of the strategy. The aim is to broaden and upgrade Volvo's narrow product range, and increase output from less than 400,000 now to 500,000 cars a year. Volvo's vulnerability owes much to the high costs that a small-volume manufacturer must bear in development and production.

Volvo is using partnerships to defray some of these costs. The C70 is the result of a joint production venture based in Uddevalla, west Sweden, with TWR, the specialist British sports car company, which will also launch a cabriolet model next year.

An even more important partnership is the NedCar production venture in the Netherlands with Mitsubishi of Japan. Volvo is producing its recently launched S40 and V40 mid-range saloon and estata car models at NedCar on the same production line as the Mitsubishi Carisma.

But Volvo is determined to show that it can thrive without being swallowed by one of the world's volume car manufacturers. To this end, the car division is spending most of the group's SKr8bn-a-year investmant programme on filling out its modal range.

The first big step was the S40/V40 car. It has replaced the old 400-serias Volvo, which was losing up to SKr1.5bn a year. The S40/V40 was hit initially by quality and production hiccups, restricting it to an expected 60,000 sales this year. But Mr Johannesson says volumes will rise to 140,000 a year.

The C70 and the cabriolet are spin-offs from the 850, the mainstay of Volvo since its introduction in 1992. The 850, made in Belgium and Sweden, has spawned several versions, including a four-wheel drive model. The 900-series saloons and estate cars complete the current range.

The next development will be a replacement for the 900. But this is expected to be based on a reworked version of tha 850 platform, or chassis. Volvo intends to base its wider range of models on two basic platforms in order to cut costs further.

Since taking over the car division a year ago, Mr Johannesson has introduced tough cost controls. He says – without specifying – that he has lowered Volvo's break-even level. Combining the earnings effect of the new cars with these new measures, Salomon Brothers predicts tha car division could achieve an operating profit of nearly SKr2bn in 1997.

That would put it well on the way to achieving its long-term goal. But Volvo has little margin for error. Every new model – including the C70 – will have to prove its worth if independence is to be secured.

Hugh Carnegy

Voice sought for Olivetti investors

By Andrew Hill in Milan

Olivetti directors may be asked to appoint an independent board director to represent foreign institutional investors in the troubled Italian information technology group.

Barings Asset Management, which has a "large" stake in Olivetti, said on Friday it had been approached by Mr Rodolfo De Benedetti, son of Mr Carlo De Benedetti, Olivetti's former chairman, about the possibility of appointing an outside director.

Mr Rodolfo De Benedetti is an Olivetti director and chief executive of Cir, the quoted holding company through which the family owns 15 per cent of Olivetti.

Mr Mark Pignatelli, head of European investments at BAM, consulted other funds, which have now jointly proposed Mr Dario Trevisan, a Milan-based lawyer.

Mr Trevisan, who was unavailable for comment, often acts as a proxy voter at Italian shareholder meetings on behalf of big US pension funds.

Since mid-August, foreign funds, many of which bought shares in Olivetti in last autumn's record L2,257bn ($1.5bn) rights issue, have been trying to extract more information from the company. Three changes of chief executive in as many months, and persistent doubts about the financial situation of the group have pushed down the shares by more than 80 per cent since the summer, to near L500 – half the rights issue price.

Mr Roberto Colaninno, the latest chief executive, is backed by Cir. He will try to clear up some of the uncertainty in the next few days, starting today when the group must publish detailed half-year figures.

Mr Colaninno's appointment 10 days ago reasserted the De Benedetti family's hold over the Olivetti board, two weeks after Mr Carlo De Benedetti stepped down as chairman after 18 years running the company.

That originally looked like a victory for Mr Francesco Caio, then chief executive, but his position was undermined by the sudden resignation of the director general in charge of financial affairs and auditing, who claimed the financial situation was much worse than published figures indicated. Olivetti has denied the allegation, and today's interim results will be based on the original half-year loss of L440.2bn before tax.

Mr Colaninno is under pressure to explain how Olivetti will pull out of five years of losses.

Sandoz in $778m disposal to BASF

By Wolfgang Münchau in Frankfurt

Sandoz, the Swiss drugs group, has sold parts of its maize herbicide business to BASF, the German chemicals company, for $778m.

The disposal removes one of the remaining obstacles to Sandoz's merger with Ciba, the Swiss pharmaceuticals group. The maize herbicide business is one of three areas to which the US Federal Trade Commission (FTC) has raised objections as part of its investigations into the merger.

BASF hopes the purchase will move it up the agrochemical league table. It said the acquisition would give it a more even balance in its agrochemical portfolio, which has been heavily weighted towards soya but lacking a substantial maize element.

BASF said: "This purchase is part of our strategy to become more independent of economic cycles. As part of that we want to strengthen our health and nutrition business areas."

The deal gives BASF an extra estimated turnover of $320m this year, roughly equal to the North American turnover of BASF's current agrochemical interests.

BASF put its total worldwide agrochemical turnover at $1.4bn last year.

Sandoz said the disposal included the North American rights to the Banvel, Clarity and Marksman brands, and worldwide rights to the Frontier and Guardsman brands.

Mr Matthew Phillips, agrochemical analyst at Wood Mackenzie, said: "This is a good deal for BASF because they needed to expand their product base in the US. Their exposure in the Americas had been slim."

He said BASF was paying a reasonable price, given the growth potential of some of the brands, especially Frontier, a recently launched product.

BASF said that, as part of the agreement, it had given job guarantees to most employees in the businesses for sale.

Sandoz also announced on Friday it expected to reach agreement for the sale of its tick and flee control business "in the near future". The FTC is also questioning parts of Sandoz's genetic research.

Battle for Thomson intensifies

By David Owen in Paris

Lagardère has questioned claims by Alcatel Alsthom, the telecoms and engineering group, about the consequences of its bid for Thomson, opening a new phase in the battle for France's state-controlled electronics group.

The missiles-to-magazines conglomerate said it was "astonished that by buying an indebted and loss-making company one can improve one's results and reduce one's debt level".

The comment follows a pledge earlier this month by Mr Serge Tchuruk, Alcatel chairman, that any deal would not be dilutive for Alcatel shareholders, and would not worsen its debt/equity ratio. He predicted a ratio of less than 30 per cent and said Alcatel had very little debt.

Mr Tchuruk's promise appears to have helped halt a slide in Alcatel's shares, which are now above FFr400 after falling below FFr375. They were also helped by last week's announcement of first-half net losses of FFr400m ($77.6m), down from FFr1.2bn, and an expected break-even for the year.

The pledge also renewed speculation that France would have to write off several billion francs of Thomson's debt as part of any deal.

The Alcatel chairman has hinted he might cede majority control of Thomson Multimedia, Thomson's money-draining consumer electronics arm, to an Asian partner if the bid were successful. That would allow Alcatel to deconsolidate Multimedia debt from its balance sheet.

Standard & Poor's, the credit rating agency, recently put the company's debt ratings on negative credit watch, as it did the long-term rating of Banque Arjil, which is 72.9 per cent-owned by Lagardère.

The government is expected to decide the Thomson contest in mid-October. One rumour puts Lagardère's bid FFr2bn higher than its rival's, reflecting the more efficient use it could make of Thomson's tax credits.

Lagardère has lined up Daewoo of Korea as a buyer for Thomson Multimedia. Daewoo has said it would create 5,000 jobs in France within five years if it was allowed to buy the business.

Serge Tchuruk profile, Page 8

Serge Tchuruk: promise helped halt shares' slide

HK broker reprimanded over sale of shares

By John Ridding in Hong Kong

Hong Kong's financial markets watchdog has reprimanded Crosby Capital Markets in connection with the HK$1.5bn (US$193.9m) sale of shares in Giordano International by Mr Jimmy Lai, the founder of the casual clothing retailer.

According to the Securities & Futures Commission, Crosby sold Mr Lai's stake on the same day, in February, that Giordano announced there was no plan for placing the shares.

The SFC claimed that in proceeding with the placing without taking steps to inform the market and/or to correct the perception created by that announcement, Crosby had failed in its duty to act in the best interest of the integrity of the market, and had prejudiced the interests of the investing public.

Crosby denied any wrongdoing, arguing that at the time of Giordano's statement on behalf of Mr Lai, it was of the impression that there was no placement forthcoming. Crosby said it "believed at the time it was acting appropriately and subsequently co-operated fully with the SFC".

Shares in Giordano had fallen sharply the day before the company announcement, which fuelled a rally in the price. The placement represented a 27 per cent stake in Giordano and marked Mr Lai's exit from the company.

He now owns the Apple Daily, one of Hong Kong's highest circulation newspapers.

Spring date for decision on French bourse times

By Andrew Jack in Paris

The French stock market will decide by next spring whether to extend its trading hours until 9pm, to gain an advantage in the intensifying battle between European equity markets.

The extra hours would allow trading in French shares to continue until closing time on Wall Street. A high proportion of trades are already driven by the US market. Some 40 per cent of volumes on the Paris bourse take place in the last two hours before its existing closing time of 5pm.

There is a growing battle between exchanges for business, partly because of the EU investment services directive that came into force this year. The new pan-European Easdaq market for high-growth companies has also just been launched.

The Société des Bourses Françaises (SBF), operator of the French stock market, is modifying the rules for its own fast-growth nouveau marché, which was launched in March but has had a disappointing first few months.

The SBF is planning close co-operation with markets in Germany, Belgium and the Netherlands, and has modified the rules of its "off-market" trades to encourage new business.

The proposals to change the opening hours of the bourse have caused considerable controversy, and the timetable for recommendations has slipped by several months. A number of banks have said the extended hours would require two shifts of different staff each day, raising costs and causing concern among unions.

To ease settlement, the SBF is considering a "cut-off" at 5pm each day, after which trades would be rolled forward for accounting to the next day.

The proposals could also cause problems for morning newspapers, which would miss reporting a lot of financial information which is only released after the markets close, as well as final closing prices.

The SBF is discussing greater flexibility on the release of sensitive financial information with the COB, the French markets regulator, although it has taken the view that such information should only be provided after the markets close.

INTERNATIONAL NEWS DIGEST

Oracle focuses on intranet software

Oracle, the world's leading database management software supplier, aims to become the top provider of software for building intranets – private networks based on the standards of the Internet. The strategy places Oracle on a collision course with arch-rival Microsoft, which is also looking to dominate the fast-growing market for intranet software.

On Tuesday, Oracle plans to launch Network Computing Architecture, which would link existing mainframe and distributed computer systems with the latest Internet technology. Its ambitions in intranet software also overlap those of Netscape, the Internet software leader, which is focusing increasingly on the corporate intranet market.

Oracle plans to marry old and new technologies with "middleware" programs that enable older computer systems to be plugged into an intranet network. The NCA is based on standards developed by an industry consortium and available to all software developers, Oracle stressed. It said it would transcend standards battles over Internet browser technology.

Louise Kehoe, San Francisco

Ifil declines in first half

Ifil, the Agnelli family's industrial holding company which has a 13.8 per cent stake in Fiat, posted group pre-tax profit down from L374bn to L349bn ($229m) for the six months to June 30. Parent pre-tax profit rose to L151bn from L114bn. Net assets at June 30 were L164bn compared with net debt of L26bn at end-1995, and the group forecast improved full-year results.

AFX, Milan

Barito Pacific growth warning

Indonesia's Barito Pacific Timber, one of the world's largest exporters of tropical hardwood plywood, said first-half operating income grew 58 per cent as revenues improved on higher plywood prices. Net sales grew 4 per cent to Rp427.9bn ($184.5m). However, interest income, which still accounts for the bulk of its pre-tax profit, fell from Rp83bn to Rp78.7bn. First-half net income fell to Rp37.2bn from Rp38.7bn, while operating income grew to Rp22.9bn from Rp14.5bn.

Barito Pacific is expanding into pulp production, which will eat into its large cash pile. As a result, "interest income will continue to decline and we will not see much in the way of profit growth", said Mr David Stormont, analyst at Jardine Fleming Nusantara in Jakarta.

Manuela Saragosa, Jakarta

Telekom quiet on dividend

Deutsche Telekom, which publishes its preliminary share issue prospectus on Friday, will pay shareholders an "above average" dividend next year, Mr Ron Sommer, chief executive, said. But the company declined to comment on a report in Focus magazine that next year's dividend pay-out would total DM2bn ($1.97bn), double the 1996 level. Focus said the dividend, combined with tax credits, would give the shares a yield of about 6 per cent.

Mr Sommer, interviewed by Welt am Sonntag, the Sunday newspaper, said Telekom expected a sharp turnover and profits improvement in the second half of 1996. First-half net profits fell from DM3.5bn to DM129m as the result of a one-off charge for redundancy costs.

Andrew Fisher, Frankfurt

Deutsche Babcock sells units

Deutsche Babcock, the struggling German engineering group, has raised DM180m ($118m) through the sale of two subsidiaries, Velan Inc, a Montreal-based joint venture, and Bergemann, a German company. Both companies specialise in cleaning heating surfaces in power stations and industrial plants.

Figures for the year to September 30 will show proceeds worth about DM110m, the company said. The Oberhausen-based group was lent DM600m by a consortium of banks earlier this year to fund a restructuring.

Michael Lindemann, Bonn

COMPANIES AND FINANCE

Easdaq pins hopes on Nasdaq

The latest alternative bourse has vital links with its US cousin

Europe's newest stock market slipped quietly into action last week with barely a murmur. There was no celebratory launch, minimal media coverage and, most significantly, no member companies.

Yet backers of Easdaq, which include some 80 European financial institutions, remain confident of the market's success. They were on hand at a conference in London earlier this month to assure 200 potential participants – bankers, fund managers and brokers – of a bright future for the pan-European market.

In the past 18 months, similar declarations have been made on behalf of the nouveau marché in Paris and the Alternative Investment Market in London. Plans for German and Belgian junior markets are under consideration, as is a scheme to link the Frankfurt, Brussels and Paris versions in a pan-European exchange.

Is there room for another alternative bourse? The results for the UK and French junior markets so far have been mixed. Aim has scored well. In just 18 months it has attracted more than 200 companies with a combined market value of more than £4bn ($6.25bn). It has benefited from the closure of another junior market in the UK, London's sophisticated investment culture, and the bull market.

The nouveau marché, on the other hand, has got off to a slower start. Since its launch in February, it has attracted only 12 listings. The French authorities announced a revamping of

its rules last week in the face of the increasing competition.

However, Easdaq's backers are adamant a gap exists for the new market. Mr Jonathan Freeman, head of listing at Easdaq, said: "There is a great need for something like Easdaq – a market for high-growth European companies with international aspirations which want to raise capital. We are not rivals to either Aim or the nouveau marché, which are for smaller companies."

Easdaq is hoping to underpin its credibility by modelling itself on Nasdaq, the US market which has carved a niche attracting high-growth companies. Nasdaq has even taken a small shareholding in Easdaq and has struck an innovative agreement which allows Nasdaq members to list on the European market.

Indeed, the first companies to list will be Nasdaq members. Mr Jacques Putzeys, Easdaq chief executive, says there could be seven capital-raising flotations within the first few months.

Artwork Systems and Innogenetics this week became the first companies to announce float plans on the new market and will probably list in mid-October. The two Belgian groups are likely to have a combined market capitalisation approaching £200m. Privately, Easdaq is hoping for 20–25 new issues in the first year, with probably as many Nasdaq companies.

Each company must have at least two market-makers and a sponsor. So far, some 30 European brokers and dealers have registered as Easdaq members.

Companies need no trading record, while at least 20 per cent of shares have to be free-float. Like Nasdaq, results must be reported quarterly to international accounting standards. All documentation and disclosures, which are subject to Easdaq scrutiny, must be in English.

Mr Putzeys also promises "one of the toughest regulatory systems in Europe" to underpin investor confidence. The regulators' role will be crucial to how the new market fares.

Mr John Alexander, a director of the TR Smaller Companies Investment Trust, said Easdaq will prove attractive if it can provide liquidity. "In the US, there is a constant stream of small investors oiling the market and stopping it getting stodgy from just institutional investors – that's what Easdaq needs."

He said the quality of companies would also be a crucial factor in attracting investors. However, another fund manager said: "The danger for a new market like Easdaq is that if companies are good enough to float, why not list on the national main market?" The answer to this may lie in the ratings attached to high growth stocks by the new market. Nasdaq has traditionally given superior valuations to high-growth companies, and Easdaq will be hoping its investors follow suit, which in turn will attract more companies.

Mr Neil Austin, head of new issues at KPMG, believes US investors will have an important role to play in Easdaq's development. "Clearly there are a lot of US investors not exposed to Europe who could be interested – particularly given their experience with Nasdaq."

Just as important is the prevailing economic climate. "We're hoping that the bull stock market conditions continue while we get established," said Mr Putzeys.

Christopher Price

Lippo shareholders approve reshape

By Manuela Saragosa in Jakarta

Minority shareholders at two of the Indonesian Lippo Group's listed companies yesterday voted in favour of a restructuring of shareholdings at Bank Lippo and Lippo Life.

Some 93 per cent of minority shareholders in Lippo Life approved the insurance company's plan to acquire a 40 per cent stake in Bank Lippo. Minority shareholders at Lippo Securities, meanwhile, voted unanimously in favour of the company's proposal to raise its stake in Lippo Life to 32 per cent.

The restructuring had sparked concern because principal shareholders, including the Riady family, Lippo's founding shareholders, were set to receive Rp800bn–Rp900bn ($345m–$388m) from the sales, leading to fears they would invest the cash outside Indonesia. Lippo Group's management, however, says the restructured shareholdings create new synergies between the companies.

Mr Charles de Queljoe, Lippo Securities' president director, said a pledge by the Riady family to reinvest proceeds from the purchases into rights issues planned at Lippo Securities and Lippo Life sent "a clear signal that there is no cashing out".

That pledge was part of a package of "sweeteners" unveiled last week.

LEGAL NOTICES

NOTICE OF THE CREDITORS' MEETINGS

IN THE SUPREME COURT OF BERMUDA
IN THE MATTER OF — No. 496 of 1993

THE BERMUDA FIRE & MARINE INSURANCE COMPANY (IN LIQUIDATION)
-and-
IN THE MATTER OF THE COMPANIES ACT 1981 OF BERMUDA
AND
IN THE HIGH COURT OF JUSTICE (ENGLAND) — No. 006565 of 1995
CHANCERY DIVISION
IN THE MATTER OF
THE BERMUDA FIRE & MARINE INSURANCE COMPANY LIMITED (IN LIQUIDATION)
(a Bermudian Registered Company)
-and-
IN THE MATTER OF
THE COMPANIES ACT 1985 OF GREAT BRITAIN

NOTICE IS HEREBY GIVEN that, by an Order dated 16 November 1995 made in the Supreme Court of Bermuda in the matter of The Bermuda Fire & Marine Insurance Company Limited (in Liquidation) and in the matter of the Companies Act 1981 of Bermuda and by an Order dated 14 November 1995 made in the High Court of Justice (England) in the matter of the Bermuda Fire & Marine Insurance Company Limited (in Liquidation) (the "Company") and in the matter of the Companies Act 1985 of Great Britain, separate meetings were ordered to be summoned of Scheme Creditors (as defined in the Scheme of Arrangement hereinafter mentioned) of the Company for the purpose of considering and, if thought fit, agreeing to a scheme of arrangement proposed to be made between the Company and its Scheme Creditors hereinafter mentioned; namely:

(i) Scheme Creditors who are Protected Policyholders (as defined in the Scheme of Arrangement); and
(ii) General Scheme Creditors (being Scheme Creditors other than Protected Policyholders (as defined in the Scheme of Arrangement)).

The meetings will be held on 20 November 1996 at the Hamilton Princess Hotel, Pitts Bay Road, Pembroke, Bermuda at the times mentioned below, namely:

(i) in the case of Scheme Creditors who are Protected Policyholders, at 10:00 a.m.
(ii) in the case of General Scheme Creditors, at 10:30 a.m.

The chairman of the meetings will address Scheme Creditors generally on the Scheme and on issues relevant to voting at the commencement of the first meeting.

Scheme Creditors may attend and vote at such of the meetings for which they are eligible, either in person or by proxy and are requested to complete the appropriate form of proxy and return it to the Liquidators of the Company at Reid Hall, 3 Reid Street, Hamilton HM 11, Bermuda P.O. Box HM 463, Hamilton HM BX, Bermuda by 5:00 p.m. on 13 November 1996.

Each Scheme Creditor or his proxy will be required to register his attendance at such meetings as he is entitled to attend prior to its commencement. Registration will commence at 9:00 a.m.

The Scheme of Arrangement is proposed between the Company and its Scheme Creditors (being creditors in respect of any claim arising out of a liability to which the Company is subject at the date of the Scheme or to which it may become subject thereafter by reason of an obligation incurred before that date, except any claim which would have been preferential in a liquidation of the Company or a claim in respect of the costs or expenses of the Scheme both of which will be payable in full) save that, in the event that Protected Policyholders at the relevant meeting convened for the purpose (or at any adjournment thereof) fail to approve the Scheme of Arrangement by the majorities required under section 99 of the Companies Act 1981 of Bermuda or section 425 of the Companies Act 1985 of Great Britain, the expression "Scheme Creditors" shall thereafter be construed so as to exclude Protected Policyholders.

A copy of the Scheme of Arrangement and a copy of the statement required pursuant to section 100 of the Companies Act 1981 of Bermuda and section 426 of the Companies Act 1985 of Great Britain and Forms of Proxy for use at the meetings are incorporated or enclosed with the Scheme Document. Additionally these documents are available from the offices of Milligan-Whyte & Smith of Bermuda Commercial Bank Building, 44 Church Street, Hamilton HM12, Bermuda and the offices of Clifford Chance of 200 Aldersgate Street, London EC1A 4JJ, England.

The Scheme of Arrangement will be subject to the subsequent sanction of the Supreme Court of Bermuda and the High Court of Justice in England.

Dated: September 30th, 1996

Milligan-Whyte & Smith
Bermuda Commercial Bank Building
44 Church Street
Hamilton HM12
Bermuda

and

Clifford Chance
200 Aldersgate Street
London EC1A 4JJ
England

Legal Advisers to
Gareth Howard Hughes/Leon Anthony Joaquin/John Christopher McKenna

FINANCIAL TIMES
MARKETS
THIS WEEK

Global Investor / Richard Lapper

The trend is your friend for Emu

Fixed income investors returning to their desks today after a September holiday could be excused for thinking that their trading screens are faulty.

For the relationship between the prices of so-called "high-yielding" Italian, Spanish and Swedish bonds and German government paper – typically measured by the differential or "spread" between yields – has shifted sharply since the end of August.

Swedish 10-year bonds now yield nearly more than a third of a percentage point less than UK gilts. As recently as mid-August Swedish paper was trading at a price yielding nearly half a percentage point more. Spanish bonds of the same maturity have risen to a price which yields only 3 basis points more than gilts and, after a surge in prices on Friday, the gap between the yields on Italian and German bonds is now close to its narrowest ever levels.

The spreads of these high-yielding markets over Germany have waxed and waned in line with the market's perceptions about European convergence prospects over the last five years. In January 1994, the Swedish yield spread over Germany fell to only 85 basis points, and in April of that year both Italy and Spain were trading at roughly their present levels compared with Germany.

Then, as hopes that these countries could join Emu faded, yield spreads ballooned out. The Italian 10-year spread over Germany reached more than 5.75 percentage points less than a year ago. In September 1995, Spanish bonds were generating a yield of more than 4.25 percentage points over Germany, while the Swedish-German 10-year yield spread reached 4.5 percentage points in April last year.

Nevertheless, the vigour and pace of the current rally of the high yielders seems to have been a genuine surprise to traders and analysts who carefully scrutinise each and every basis point move.

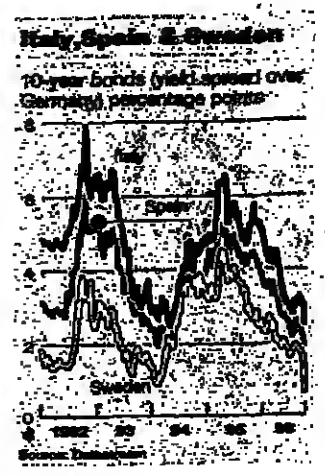
One trader at Liffe said on Friday that he had never seen such a consistent and strong one-directional move in the bond futures market as that which has occurred in the Italian BTP pits over the last few days. As price rises make even the most bullish forecasts look relatively cautious, analysts have been hurriedly revising their figures.

They point to a fundamental shift in the way investors and traders view the prospects for Emu, with both core and peripheral economies looking more likely to meet the Maastricht criteria on inflation, debt and the fiscal deficit. For one thing even the so-called "peripheral" countries – like Italy, Sweden and Spain – are all making progress on inflation. There have been signs that economic growth is beginning to pick up again in France and Germany, making it more likely that the so-called core countries will be able to reduce their fiscal deficits to 3 per cent of GDP. Above all, though, the Swedish, Spanish and Italian governments appear to have investors convinced that they are seriously intending to take fiscal action sufficiently radical to permit them to become, if not founder members of European Monetary Union, then members very soon after the launch of the union in 1999.

The decision earlier this month by the European Commission to allow France to incorporate a one-off FFr37.5bn payment by France Telecom into its budget calculations has helped, encouraging hopes that other governments might benefit from this flexible interpretation of the Maastricht rules.

In addition, both Sweden and Spain – which announced a Ptas1,200bn deficit reduction package on Friday – look set to meet the 3 per cent level. And last week news that Italy intended to introduce a severe L63,500bn deficit reduction package has ushered in the once unlikely possibility that Italy too might meet the Maastricht target in 1997. According to local analysts, the decision to toughen up the budget package reflects the Italian government's perception following the recent Dublin meeting that the EU is not prepared to water down the Maastricht criteria and that Italy's more cautious existing strategy – slower progress towards the 3 per cent fiscal deficit target with a view to enter Emu at a later stage – carried its own political risks. The rally could still come unstuck. Hopes of French growth could prove illusory. Political consensus has proved notoriously fragile in Italy in the past, and the dollar, whose strength has bolstered high-yielding currencies against the D-Mark this year, could weaken. But for the moment, at least, even for Emu bears that old stock market adage applies. The trend is your friend.

Italy, Spain & Sweden
10-year bonds (yield spread over Germany, percentage points)



Source: Datastream

Total return in local currency to 26/9/96

% change over period	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.10	0.01	0.06	0.07	0.16	0.11
Month	0.45	0.04	0.27	0.31	0.73	0.48
Year	5.56	0.59	4.09	6.26	10.89	6.86
Bonds 3-5 year						
Week	0.50	0.21	0.49	0.46	1.21	0.41
Month	1.00	1.56	1.44	1.92	3.07	0.86
Year	5.26	3.06	6.85	12.78	21.80	9.99
Bonds 7-10 year						
Week	1.45	0.17	0.79	0.77	2.12	0.89
Month	1.35	2.55	2.58	2.83	5.27	1.72
Year	4.31	4.19	11.38	18.86	30.56	11.78
Equities						
Week	0.5	0.8	1.7	0.9	2.8	-0.9
Month	3.5	3.4	4.3	4.0	7.5	2.8
Year	20.2	14.7	20.0	21.0	4.5	18.3

Source: Cash & Bonds - Lehman Brothers. Equities-FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co. and Standard & Poor's.

COMPANY RESULTS DUE

French bank likely to slip back into red

Crédit Lyonnais, the troubled French bank, is scheduled to report a first-half net loss on Thursday. The bank and the government were putting the finishing touches to a rescue plan, the third since early 1994, which would be made retroactive so Mr Jean Peyrelevade, chairman, would not have to report yet another slide into deficit, they said. The bank only just managed to break even in 1995 after a FFr12.1bn ($2.3bn) loss the year before.

Left to its own devices, Crédit Lyonnais would post a first-half net loss of FFr285m-FFr1.55bn with forecasts focusing on FFr600m-FFr800m range, analysts said. The bank had a net profit of FFr36m in the first half of 1995.

■ GIB: The Belgian retailer, is expected to announce first-half results on Thursday. They are expected to be weakened by a poor first-half showing by its Quick Restaurants – which traditionally generate a third of profits – and the home improvement units in France and the US.

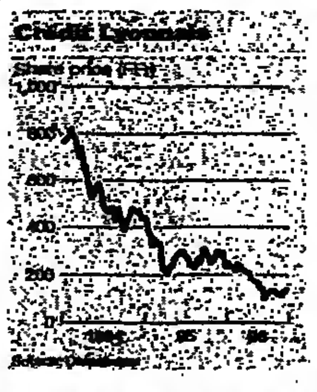
Mr Bruno du Bus from Puilaetco said: "I have a negative fundamental point of view for GIB." He is not giving a first-half forecast and said he was not estimating whether GIB would show an improvement on the BFr645m ($20.6m) net profit a year ago, but estimated a BFr2.2bn net consolidated profit for the full year, compared with BFr3.157bn a year earlier.

Quick's net profit in the first half fell from BFr147m to BFr7m. "Quick is very important for GIB and it published bad first-half results," Mr Du Bus said. Above all, GIB was present in sectors which all suffered, he said.

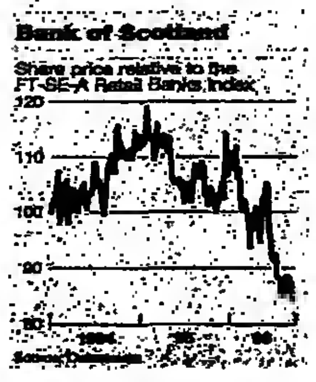
■ Kemira: The Finnish chemicals group, is expected to report its eight months to August profit after financial items on Thursday. Analysts expect them to be FM570m-FM640m, up from FM478m ($104m) a year earlier, with sharply reduced profits at its pigments operations offset by a strong performance in its other core businesses. They also expect Kemira to provide further details of its planned issue of FM8m shares.

■ House of Fraser: The troubled UK department store group, is expected to announce 10 store closures alongside deeper interim losses when it presents its strategic review tomorrow. Analysts will want evidence that Mr John Coleman, the new chief executive, has a coherent and achievable recovery plan after disappointing results and the slump in the group's shares since flotation in 1994. Losses of between £4m to £8m ($12.4m) are forecast in the traditionally weak first half, after £4.3m a year ago.

Crédit Lyonnais
Share price (FFr)



Bank of Scotland
Share price relative to the FT-SE-A Retail Banks Index



■ Hewden Stuart: The UK's largest independent plant hire company, will unveil its interim results on Wednesday and analysts are expecting solid growth in profits despite a deterioration in trading conditions during the first half.

NatWest Securities is forecasting pre-tax profits of £19.7m ($30.5m), against £16.2m, on higher turnover of £141.8m. Longer-term concerns about the weakness in UK construction and a competitive pricing environment will remain, but investors will take heart from the group's record of riding out the difficult periods better than most.

■ Bank of Scotland: Reports interim results on Wednesday having emerged from a period of turbulence caused by the sale of most of Standard Life's 32 per cent stake in the company this year.

Analysts are concerned about a sharp rise in expenses, and there are also questions about asset quality as the loan book expands fast. They will also look for signs of how well last year's purchase of Bank of Western Australia has gone.

Pre-tax profits for the full year ending February 1997 are expected to fall in the range of £570m to £620m ($961m). The results for the first half to August 31 are forecast to be between £270m and £300m.

■ HTV: The ITV company for Wales and the west is expected to continue its upward trend in profitability on Wednesday with interim pre-tax profits of about £6.5m ($10.1m).

This compares with £6.1m last time but only £2.8m in the first six months of 1994 reflecting the progress HTV has made particularly in developing programme rights. But whatever the City makes of the profits you can be sure that its gaze will be elsewhere – watching to to see whether Mr Michael Green's Carlton Communications can overcome his dislike of the high p/e and really will make a bid, or whether CanWest, the Canadian-based international broadcaster, is serious about pursuing an interest.

■ Blenheim Group: The UK exhibitions organiser which has been the subject of an on-off bid battle, is expected to announce a sharp rise in interim pre-tax profits on Wednesday.

Analysts are forecasting pre-tax profits of £25m-£30m, up from £18.1m ($20.1m) when the group was held back by losses at its French business. Blenheim will also be under pressure to give more information about a further takeover approach it said it received two weeks ago. Earlier in September, it announced it had ended talks with a potential bidder, believed to be United News & Media.

Rush of offerings for October

Recent stability on the US stock market and pent up demand for capital has led to a potentially record-breaking rush of companies seeking to offer their shares to the public.

More than 100 companies with market capitalisations of at least $50m are set to launch initial public offerings next month, according to Renaissance Capital, a firm that analyses IPO valuations. That figure rivals the 104 such offerings that were issued in all three months of the third quarter.

The pace of offerings began to pick up last week when 22 deals hit the market after three weeks in which a total of only three new companies were listed.

In July and August, the rate of offerings fell off sharply as traditional summer doldrums combined with turbulence on financial markets to make new listings unattractive. In recent weeks, however, financial markets have soared, and so has the number of companies hoping to proceed with IPOs while they can get high prices for their stock.

Equity issuance generally ebbs during the summer, but the slowdown this year was particularly pronounced in part because of the record-breaking pace of the IPO market in the first half of this year. Just $7.6bn was raised by companies going public in the quarter that ends today, compared to the record $18.5bn raised in the second quarter, according to Securities Data.

Still analysts are overwhelmed with the number of new companies going to market now. "We have never seen it like this," says Mr William Smith, an analyst at Renaissance Capital. "We are continnally amazed about the ability of the market to absorb this."

One reason for the market's absorptive powers is simple supply and demand. Corporations are taking a record number of shares off the market through buy-back programs as huge inflows to equity mutual funds are adding to demand. The amount of money flowing into equity mutual funds jumped to $18bn in August after dipping in June and July.

Although the rate of offerings may now be approaching its levels of the spring, there the tone of the IPO market has changed. In the spring the offering calendar was heavily weighted toward technology companies, especially much-talked-abont Internet-related offerings that were able to attract large amounts of capital even if profits were years off.

Now, the spate of IPOs set to come to market represents a broader range of the US economy. One of last week's best performing issues, for example, was that of Abercrombie & Fitch, the specialty retailer being spun off by the Limited. Shares in the company ended the week at $23, up 44 per cent from the $16 offering price.

Still, some analysts and money managers are worried that, even though there is less ballyhoo surrounding the new offerings, the overall quality of the deals remains low.

Mr Mark Barsham, a new issues analyst at Standard & Poor's, cites Navigation Technologies as an example. The company, due to go public this week, makes sophisticated automotive computers that use satellite technology to provide directions for drivers, but it has never turned a profit and does not expect to before 2001.

Mr Aash Shah who manages a $50m small capitalisation stock fund for Federated Investore, says careful research is more important than ever. "I think the quality has diminisbed as the volume has gone up."

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY SEPTEMBER 27 1996 US Dollar Index	% chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div. Yield	THURSDAY SEPTEMBER 26 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	206.80	8.8	196.07	144.86	163.88	173.71	2.2	4.38	206.90	195.37	143.86	162.89	172.84	212.18	179.77	183.82
Austria (24)	178.00	2.0	168.76	124.68	141.06	140.95	8.6	1.89	177.62	168.53	123.93	140.62	140.41	195.04	168.11	179.22
Belgium (27)	217.57	4.0	206.28	152.41	172.42	168.37	10.9	3.98	218.22	207.06	132.26	172.63	168.47	218.89	190.86	194.38
Brazil (28)	181.62	31.7	172.20	127.22	143.93	341.20	38.3	1.90	184.03	174.61	128.40	145.59	345.56	189.70	123.97	149.27
Canada (117)	169.53	14.2	160.73	118.75	134.34	167.42	14.2	2.13	169.29	160.63	118.12	133.93	167.66	169.95	134.14	143.49
Denmark (30)	320.15	10.9	303.58	224.25	253.70	254.77	17.1	1.80	320.77	304.36	223.81	253.76	255.05	321.85	276.89	281.98
Finland (25)	213.55	14.1	202.45	149.57	169.21	204.30	19.6	2.44	212.70	201.82	148.41	168.27	203.89	285.87	171.73	257.97
France (93)	195.86	9.2	185.70	137.20	155.21	168.28	15.0	3.07	195.93	185.91	136.70	155.00	158.17	198.39	167.70	172.75
Germany (58)	177.88	8.6	168.60	124.57	140.92	140.92	16.7	1.74	178.73	169.59	124.71	141.40	141.40	179.28	155.86	159.11
Hong Kong (58)	446.50	15.2	423.33	312.78	353.88	443.31	15.2	3.45	442.44	418.81	308.70	350.02	439.23	451.16	354.67	375.54
Indonesia (27)	205.02	–	194.38	143.61	162.47	291.63	–	1.65	206.36	195.80	143.96	163.25	293.53	–	–	–
Ireland (16)	303.08	18.6	287.35	212.30	240.18	266.52	18.6	3.37	299.24	283.93	208.79	236.73	263.19	303.08	241.27	245.57
Italy (58)	79.59	8.0	75.46	55.75	63.07	90.46	3.6	2.38	76.78	72.85	53.57	60.74	87.32	84.53	67.22	76.89
Japan (481)	147.81	-4.6	140.14	103.54	117.14	103.54	2.5	0.74	147.43	139.89	102.86	116.63	102.86	164.88	137.75	146.26
Malaysia (107)	563.65	18.2	534.41	394.82	446.67	544.44	14.8	1.21	563.93	535.08	393.47	446.13	544.66	585.09	425.77	498.25
Mexico (19)	1233.12	19.1	1169.13	863.77	977.20	10166.28	16.5	1.32	1229.27	1166.39	857.66	972.46	10133.88	1325.65	791.99	1070.23
Netherland (19)	300.30	10.1	284.72	210.35	237.98	284.35	17.4	3.16	300.52	285.15	209.68	237.74	284.17	304.24	251.61	257.67
New Zealand (15)	86.80	2.0	82.29	60.80	68.78	65.78	1.7	4.17	87.25	82.79	60.88	69.03	66.21	87.62	75.94	78.23
Norway (35)	253.79	8.7	240.62	177.77	201.12	223.85	12.9	2.28	254.34	241.34	177.46	201.21	224.18	256.94	222.24	236.03
Philippines (22)	203.87	–	193.30	142.81	161.56	266.70	–	0.61	205.05	194.56	143.07	162.22	268.24	–	–	–
Singapore (44)	403.31	-1.0	382.38	282.51	318.61	261.71	-1.4	1.07	403.79	383.14	281.74	319.44	262.00	465.21	361.94	368.43
South Africa (44)	347.11	-9.9	329.10	243.14	275.07	344.02	12.1	2.23	346.74	329.00	241.93	274.31	343.77	437.78	314.20	351.97
Spain (37)	180.47	9.2	171.10	126.41	143.01	175.20	15.4	3.35	181.48	172.20	126.62	143.57	176.00	183.85	145.18	150.15
Sweden (48)	378.22	21.2	358.59	264.93	299.72	371.26	21.2	2.31	375.75	356.53	262.17	297.26	369.92	378.22	294.19	310.35
Switzerland (37)	240.82	2.0	228.32	168.69	190.84	167.61	11.4	1.57	241.91	229.54	168.79	191.38	167.71	264.34	214.08	214.68
Thailand (45)	138.09	-17.9	130.92	96.78	109.48	136.22	-17.2	2.52	139.04	131.93	97.01	110.00	137.10	193.95	128.90	163.22
United Kingdom (200)	249.24	8.1	236.30	174.58	197.51	236.30	7.9	4.05	248.30	235.60	173.24	196.43	235.60	260.30	220.65	221.61
USA (623)	279.79	11.4	265.27	195.99	221.72	279.79	11.4	2.12	279.69	265.38	195.15	221.27	279.69	279.95	236.38	237.86
Americas (787)	255.84	11.7	242.56	179.21	202.74	215.10	11.8	2.11	255.76	242.68	178.45	202.34	215.06	256.00	215.17	217.38
Europe (705)	217.77	8.4	206.47	152.54	172.58	189.92	11.7	3.02	217.37	206.25	151.66	171.96	189.37	218.16	191.44	193.53
Nordic (135)	323.16	17.2	306.42	226.38	256.11	278.81	16.3	2.24	321.90	305.43	224.58	254.65	278.21	323.19	261.13	266.06
Pacific Basin (876)	162.11	-1.9	153.70	113.56	128.47	115.26	3.5	1.20	161.66	153.39	112.79	127.89	114.57	177.01	146.96	156.82
Euro-Pacific (1583)	185.17	2.9	175.56	129.71	146.74	143.40	7.3	2.09	184.74	175.29	128.90	146.15	142.80	190.57	166.51	172.02
North America (740)	273.07	11.6	258.90	191.28	216.40	272.34	11.6	2.12	272.96	259.00	190.45	215.94	272.27	273.13	230.17	232.02
Europe Ex. UK (505)	196.86	8.6	186.80	137.27	155.29	162.65	14.2	2.45	195.81	185.80	136.62	154.91	162.53	196.73	170.51	174.05
Pacific Ex. Japan (397)	291.56	10.2	276.43	204.23	231.05	251.49	7.9	2.95	290.52	275.66	202.71	229.84	250.54	298.66	243.59	257.29
World Ex. US (1791)	186.77	3.2	177.08	130.83	148.01	148.21	7.9	2.09	186.36	176.83	130.03	147.43	147.65	191.55	167.36	173.00
World Ex. UK (2214)	212.49	8.5	201.46	148.84	168.39	191.04	9.8	1.91	212.25	201.39	148.09	167.91	190.63	213.05	185.61	190.06
World Ex. Japan (1933)	252.36	10.2	239.26	176.77	199.98	238.74	11.5	2.48	252.09	239.20	175.89	199.43	238.47	252.36	217.28	219.00
The World Index (2414)	215.68	6.6	204.48	151.08	170.92	186.04	9.4	2.10	215.38	204.38	150.27	170.39	185.62	215.68	186.67	192.83

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 133.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 140.94 (Local). Indonesia and Philippines June 28 1996 = 214.14 (US $ Index), 204.53 (Pound Sterling) and 184.40 (Local). CONSTITUENT CHANGES: Additions: with effect 1/10/96: Lucent Technology (Large Cap Index)(US); with effect 2/10/96: Imperial Tobacco (Medium-Small Cap)(UK).

MARKETS: This Week

The wave of bond market euphoria which greeted the Federal Reserve's decision not to raise US interest rates last week is likely to fade this week, as investors focus instead on the inflationary implications of the next batch of economic data.

But the bond market's favourable reaction to the news suggests investors are not worried that the Fed's decision was motivated by political concerns, ahead of the November election, and are willing to believe that current rates are justified by economic fundamentals.

The focus this week will be on Friday's employment numbers: MMS analysts have forecast a rise in September non-farm payrolls of 175,000 and a slight rise in the unemployment rate to 5.3 per cent.

Also under scrutiny for inflationary pressures will be the September National Association of Purchasing Management survey of manufacturing activity on Tuesday. Analysts expect the index to rise to 53 per cent.

The stock market managed only a lacklustre performance last week, after a strong run earlier this month, resisting the upswing in the bond market. Investors will be looking at the trickle of third-quarter results this week for signs of whether US companies' earnings growth is sustainable.

Morgan Stanley's third-quarter results on Wednesday will provide a useful pointer to the performance of other investment banks, which report later in the month. Morgan Stanley's third quarter ended on August 31, so the numbers will not be boosted by the recovery in investment banking activity in September.

Interest rates did not go up in either the US or the UK last week, but stock markets may feel that their sentence has been postponed rather than commuted.

Equities and gilts reacted with some relief to the decision by the US Federal Reserve, in particular, not to raise rates, but they may feel differently if, on Friday, the US non-farm payroll figures show strong economic growth. Bond markets might start to feel that the Fed was taking too many risks with inflation.

The main UK economic data this week will be the M0 money supply figures, consumer credit, and the purchasing managers' index. Unless the data are dramatically strong or weak, they seem unlikely to resolve the perceived stalemate between the governor of the Bank of England (who is believed to want higher rates) and the chancellor (who may still be hankering after a cut).

The equity market will have some corporate developments to get its teeth into; Hanson floats off Imperial Tobacco and Millennium Chemicals, while trading in Thistle Hotels starts on Wednesday.

The big bid remains elusive. Cadbury Schweppes briefly aroused the speculators' hopes on Friday, but previous rumours about Footsie stocks have not been substantiated.

Gilts investors might focus on the Labour party conference. Mr John Shepperd of Yamaichi International (Europe) said the market will ask two questions: "Will there be any further clues on prospective economic policies and will it give the general impression of a party ready to assume power?"

The steady advance in the German stock market was interrupted by some modest profit-taking on Friday, but dealers seem generally confident that the gains of the last few weeks will be maintained. The DAX index closed the week at 2,659 points, buoyed by the US Federal Reserve's decision to leave interest rates alone for the moment.

The higher dollar and improved sentiment in the bond market also had a positive influence. Deutsche Morgan Grenfell maintains its optimistic view of German equities, noting that foreign investors were net purchasers in May and June for the first time since the fourth quarter of 1995. The DM17bn ($11.2bn) inflow in those months more than offset the outflow.

"We believe that the trend of foreign investors building positions should continue, in light of the dimmer prospects for Wall Street and the more favourable outlook for the German market," DMG said in its latest equity monitor. It expects cautious German institutions to become more active buyers of German shares as bond yields edge up.

It is sticking to its year-end DAX forecast of 2,700 points, based mainly on the favourable outlook for corporate earnings. It has become less gloomy about the construction sector, and says signs from the automotive industry remain encouraging. DMG is also bullish about chemicals.

After their recent run-up on the back of merger and takeover speculation, bank shares have run out of steam, however.

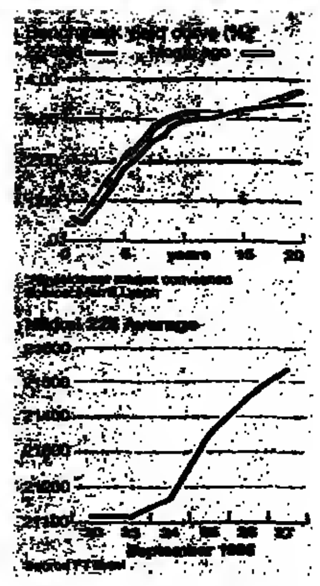
Moody's, the rating agency, has been casting a critical eye over the long-term debt ratings of Deutsche and Dresdner.

With parliament dissolved for a lower house election on October 20, investors will focus on political events and possible policy moves of the new government. The consensus over the likely outcome seems to be a victory by the Liberal Democratic Party. Although they may not win a majority, a conservative government with the LDP at its core is widely expected.

This would be positive for equities, say analysts. The campaign may also help, by producing pledges of either tax reductions or additional spending, said Mr Jason James of James Capel.

Some sectors of the equity market have already begun to rise on the back of such an expected outcome. Steel stocks have risen on hopes of increased public works spending while realtors were higher on expectations of measures to support property prices by the new government.

"It is more likely that we will have e supplementary budget with the right-wing dominated government," said Mr Ken Okamura at Dresdner Kleinwort Benson in Tokyo. Any government which is stronger than the present coalition will want to show its strength by pressing for greater spending.



A victory by conservative forces will also mean that there could be measures to support real estate prices in order to aid property companies and other businesses affected by the slide in property prices.

However, a pure LDP government would cause the current push towards bureaucratic and business reform to fade, reducing Japan's economic growth potential and allowing problems to continue to accumulate, said Mr James.

Omens poor for gold event

The Denver Gold Group could have hoped for better omens in the lead-up to the Mining Investment Forum they are hosting in the Colorado capital this week.

The representatives of some of the world's largest gold mining companies who are attending the five-day event could be looking over their shoulders as speakers outline brave plans for the future to see whether a continuation of last week's speculative pressure on the gold price is eating into their profit margins.

After a failed rally attempt late last month the market has been on the slide, and by the end of last week the price was poised uncomfortably close to a critical support point. At $381 a troy ounce it was only $1 above a key psychological level and $2 clear of a key technical level. And analysts were warning that if these were breached the price could challenge support at $375 or even $372 an ounce.

Part of the reason for the weakness was Thursday's statement by the chief of the International Monetary Fund that the fund had the necessary majority to sell 5m ounces of the precious metal to help pay for debt-funding aid to poor countries.

That factor was not new to the market – the amount of gold involved had previously been shrugged off by at least one analyst as "insignificant" – but with the bears apparently in the driving seat for the present it seemed to have assumed greater potency.

● The platinum market has also been very weak of late (on Friday it ended only a little above an earlier 33-month low) and that could add spice to a presentation by Impala Platinum of South Africa in London on Friday.

"Platinum and silver really depend on gold, and if gold goes, then they will as well," a London precious metals dealer told the Reuters news agency on Friday after the London platinum price ended at $385.75 an ounce. That was 25 cents up on the day, but still $1.50 down on the week.

PARIS

Economic news could be back to the fore in Paris this week with the latest Insee business survey due to be published today. The survey, for September, coincides with the release of the August unemployment numbers; together they are expected to provide bourse investors with an important snapshot of the economy.

The Insee survey will fill in some of the detail on how business is shaping up after the summer recess. Second-quarter data gave a relatively downbeat reading of French business sentiment. Investors will be hoping for a return of more positive trends.

As for corporate results, the news flow is starting to slow. Interims are due on Wednesday from electronics leader Schneider, and media group Havas puts out a half-year statement on Thursday.

Solid profits news was one reason for the stock market's rise last week, to within a comfortable range of its April peaks. Schneider and Havas are expected to add to the trend of strong earnings growth. Paribas is likely to remain a focus of speculation about imminent corporate activity.

All in all, the Paris bourse, which has moved back above 2,100 on the CAC-40 to close to its April peaks, should not be short of talking points.

MILAN

Olivetti is due to publish its full first-half financial report today, before meeting financial analysts in Milan on Thursday and London on Friday. The troubled electronics company has already answered 16 questions about the interim report, posed by the Milan bourse watchdog. However, as recently as last Wednesday, the head of Consob told Parliament he still did not have adequate clarification on the figures.

Olivetti's shares, meanwhile, have had a roller coaster ride in recent weeks. On Friday, they closed at L537.9, up from the low of L460 but down from January's peak of L1,278.

STOCKHOLM

The recent outbreak of financial sector takeover speculation in Stockholm and Helsinki looks set to provide the main domestic encouragement for both Swedish and Finnish stock markets this week.

A trimming of Sweden's repo rate plus talk of a bank share buy-back helped train the spotlight on financials last week, and when a rumour ran round that Handelsbanken and SE-Banken were in merger talks there was a near-frenzy of speculation.

True to Nordic tradition, both institutions were tight-lipped, but banking analysts have not ruled out some sort of "get big to stay in the global race" deal. Much the same logic applies to the latest surge of rumours about financial institution deals in Finland.

However, there is little danger that takeover speculation will deflect the Helsinki bourse from the immediate business of digesting company results. The recent news from the corporate sector has been uninspiring. A profits warning last week from Metsä-Serla does not augur well for this week's numbers from another heavy industrial mainstay, Valmet.

HONG KONG

The Hong Kong stock market is expected to remain on a roll, although profit-taking may set in in the short term. The benchmark Hang Seng Index closed on Friday at its highest level since February 1994, *writes Louise Lucas.*

Brokers expect investors to remain encouraged by the decline in the US long bond yield, and reckon the 12,000 level on the Hang Seng can be breached shortly. With the interim reporting season wound down, analysts are focusing on full-year earnings and taking heart from the expected economic recovery in China.

All eyes on US payroll data for signs of inflation

The international currency markets will continue their close watch on the US for signs of inflation this week, with two pieces of important economic data due.

September's non-farm payroll, unemployment and hourly earning figures are published on Friday. A large rise in non-farm employment would suggest the US economy's growth is beginning to put upwards pressure on wages as the demand for labour grows.

August's non-farm payroll growth of 250,000, and a fall in the rate of unemployment to 5.1 per cent, sparked fears that the Federal Reserve would raise interest rates to put a brake on wage inflation.

September's figures look less likely to disturb the Fed. A Reuters poll of economists estimated that non-farm payrolls grew by 165,000 jobs, a figure consistent with annual GDP growth of 2 to 2.5 per cent.

But with the next FOMC meeting not until November 13, the Fed will also have the benefit of October's employment figures.

The other important data will be tomorrow's National Association of Purchasing Management (NAPM) report for September, an analysis of price, inventory and employment trends in the manufacturing sector.

Last week, the dollar moved upwards on the back of buying of US government bonds. It now sits just below its 1996 high of Y111.19, an important technical level which could hamper future dollar gains.

Across the Atlantic, "convergence trading" in potential European monetary union member currencies will continue to provide market activity.

In the Pacific region, the Reserve Bank of Australia may cut interest rates this week by 25 to 50 basis points, after its board meeting tomorrow. The Australian dollar has been bullish. It closed in London last week at A$1.2629 to the US dollar, having been A$1.2950 at the start of August.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
BT (UK)	Cegetel (France)	$1.7bn	Telecoms	Gap-plugging stake
American Home Products (US)	Unit of Solvay (Belgium)	$449m	Animal health	Solvay refocuses on humans
Tabacalera (Spain)	Tabaqueira (Portugal)	$237m	Tobacco	Leading international bid
Loewen Group (Canada)	Rose Hills (US)	$240m	Funeral services	Joint bid with Blackstone
Cole National (US)	Unit of GrandMet (UK)	$219m	Optical equipment	Pearle sale ends disposals
Boots (UK)	Laboratoires Lutsia (France)	$178m	Healthcare	Enhancing OTC presence
Zurich Insurance	Protector Forsikring (Norway)	$87m	Insurance	Recommended bid
Premier Oil (UK)	Sumatra Gulf Oil (Indonesia)	$72m	Oil & gas	Short-term buy
DMGT (UK)	Broadcast Media (Australia)	$36m	Broadcasting	Australian entry

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, September 27, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

	£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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MARKETS: This Week

EMERGING MARKETS By Chrystia Freeland

Foreign investors put Russia on hold

It is hard not to feel just a bit sorry for Russia's weather-beaten market reformers, who learned last week that their president's cardiogram counts as an important economic variable.

Since 1991, Russia's economic team has been buffeted by almost every imaginable political challenge: an attempted hardline coup, an armed battle between the president and parliament, a humiliating war with a separatist province, and, this year, a tense election race against a popular communist candidate.

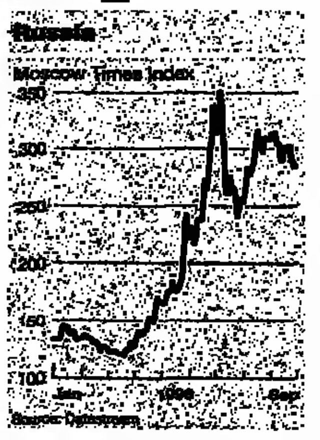
But in the face of these political storms, the reformers have somehow managed to shift their country from central planning to the beginnings of a market economy. More than 80 per cent of the industrialised workforce are employed in at least partially privatised enterprises. And, after years of runaway inflation, prices fell slightly last month, and the rouble has stuck to an exchange rate band against the dollar established by the central bank.

With President Boris Yeltsin's election victory in July, the architects of this capitalist revolution were confident that the country would at last begin to enjoy the fruits of five years of traumatic change. In a triumphant post-election press conference, Mr Anatoly Chubais, mastermind of Russia's mass privatisation and the president's chief of staff, voiced a widely shared view that Russia's economic take-off would be so swift that foreign investors had better enter the market while there was still something left to buy.

That prediction fell flat almost immediately after the ballot, when investors who had been pushing the market up on the strength of polls predicting a Yeltsin victory began to sell as rumours about his health gained currency.

The rumours led to a July slump of about 30 per cent. The market rebounded in August, but fell earlier this month when the president announced he needed heart bypass surgery. It dropped further last week when doctors revealed that Mr Yeltsin was so ill that the operation would be postponed for up to eight weeks.

Upbeat comments by Dr Michael DeBakey, the US patriarch of cardiac surgery who was consulted on the operation, lifted share prices slightly at the end of last week, but most analysts say Russia is now condemned to a few more months of financial paralysis as investors wait for the outcome of Mr Yeltsin's operation.



"I don't expect the market to rocket upwards or to rocket downwards," said Mr Stephen O'Sullivan, head of eastern European research at MC Securities. "People are going to be waiting for the outcome of the operation, even if they have the feeling that it's probably going to be a success."

A few enthusiastic brokers and Russian government officials insist that this holding strategy is a mistake. After all, they say, the president's cardiogram and the political struggles that it might unleash are just the background noise. The real story is steadily improving economic fundamentals and a technocratic government which is beginning to master the skills of running a market economy.

This is the opinion of Mr Andrei Kozlov, deputy chairman of the central bank, who is hoping to entice foreigners into the domestic debt market, regardless of the Kremlin leader's state of health. He argues that high political risk is a constant fact of Russian life and urges foreign investors to learn to live with it as a matter of course.

"Foreigners who come to Russia must understand that we have a constantly raised level of political radiation. This is a contaminated zone [where] there is a generally high level of political risk which is gradually coming down," he said. "But our people have learned to live in these circumstances, and we have not become mutants ... in fact it makes life more interesting."

But Mr Kozlov's logic appears unlikely to convince many foreign investors, who seem more inclined to take the view that Russia's enticing economic opportunities will still be available in three, six or nine months from now, whenever the political smoke has cleared.

"The market is so cheap now that this isn't the last opportunity to buy shares in Russia. Yes, there is a buying opportunity, but it isn't a question of buy today while stocks last. I think they'll still be there," Mr O'Sullivan said.

Mr Jonathan Hoffman, international economist at CS First Boston in London, agreed: "On a three to five-year period it is going to be one of the best performing markets in the world. But why not wait until things are more certain? I think that's what people are going to do."

The length of their wait will chiefly be determined by the strength of Mr Yeltsin's heart and the skill of the Kremlin's newly famous surgeons. But investors will also be watching for a few economic milestones.

One is Russia's first eurobond issue, planned for this autumn. In spite of the political tension, some Moscow bankers think the eurobond, which is expected to establish a benchmark for other Russian securities, will still be placed this year.

"I think there's a good chance the eurobond will come through. If it is placed, it will be at a higher premium than they thought because the market will demand it," said Mr Victor Huaco, president of Moscow-based investment managers Orion Capital.

But other analysts argue that the Russian government could postpone the eurobond launch to a more favourable moment without hurting its reputation in the eyes of international investors.

"If they go ahead with it now they risk having a lower rating and having to pay a higher yield than they would if things were clearer. If the top politician is gravely ill, especially in a place like Russia, it would be no surprise if they postponed it," Mr Hoffman said.

Another litmus test is the yields on domestic bonds, whose sky-high returns of more than 200 per cent earlier this year made Russia a textbook example of "crowding out". With the profits on Russia's least risky investment – government securities – so high, buyers had no reason to turn to the stock market or to put money directly into companies.

Russian and western economists agree that investment in the real economy can pick up only after the yields on GKOs, short-term treasury bills, drop even further than their current level of around 60 per cent.

As Ms Bella Zlatkis, head of the Ministry of Finance's securities department, said: "Our goal in fact is to squeeze the money from the GKO market to other markets, and primarily to make banks invest in industry. But even if the money moves to the stock market, we will welcome such a development."

Many analysts believe that in the medium term, bringing GKO yields down is one of the most important steps the government must take to stimulate investment. But in the near future, the only financial news that really matters will be about Russia's most important heart.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	27/9/96	Week on week movement Actual	Percent	Month on month movement Actual	Percent	Year to date movement Actual	Percent
World (431)	160.93	-0.34	-0.21	+3.70	+2.35	+13.37	+9.06
Latin America							
Argentina (22)	95.85	-0.44	-0.46	+8.39	+9.59	+3.07	+3.31
Brazil (23)	246.44	-1.29	-0.52	+15.07	+6.51	+60.35	+32.43
Chile (16)	186.48	+1.88	+1.01	+2.78	+1.50	-7.16	-3.67
Colombia (14)	172.94	+2.64	+1.55	+8.58	+5.23	+8.69	+5.29
Mexico (24)	82.76	-2.39	-2.81	-3.55	-4.12	+9.17	+12.46
Peru(13)	1174.89	+5.09	+0.44	+22.22	+1.93	+106.74	+9.89
Latin America (112)	142.29	-1.16	-0.80	+4.17	+3.02	+19.14	+15.55
Europe							
Greece (18)	118.68	+1.00	+0.85	+0.71	+0.61	+20.71	+21.14
Portugal (20)	136.25	-2.15	-1.55	-3.03	-2.17	+19.79	+16.99
Turkey (25)	107.72	+2.87	+2.74	+6.82	+6.76	+24.92	+30.10
South Africa (30)	141.30	-1.57	-1.10	+5.57	+4.10	-12.07	-7.87
Europe (134)	123.21	-0.85	-0.69	+3.18	+2.65	+1.67	+1.38
Asia							
China (24)	44.25	-0.03	-0.06	-2.35	-5.04	+3.93	+9.74
Indonesia (31)	143.21	+1.84	+1.19	+9.63	+7.21	+4.56	+3.29
Korea (23)	103.52	+6.02	+6.18	+4.27	+4.31	-33.39	-24.39
Malaysia (23)	266.93	-0.47	-0.18	+1.39	+0.54	+29.36	+13.00
Pakistan (14)	70.68	-2.86	-3.89	-5.67	-7.42	-2.91	-3.95
Philippines (14)	329.85	-3.67	-1.10	+0.33	+0.10	+70.88	+27.27
Thailand (25)	200.57	-0.28	-0.14	-7.66	-3.66	-51.32	-20.37
Taiwan (31)	179.85	+0.80	+0.45	+6.73	+3.89	+48.82	+37.32
Asia (185)	217.69	+1.23	+0.57	+3.43	+1.60	+14.65	+7.22

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

INTERNATIONAL BONDS By Samer Iskandar

NatWest joins the fashion to securitise

The decision last week by National Westminster Bank to turn one-third – the equivalent of $5bn – of its corporate loans into securities has highlighted the increasing popularity of securitisation in Europe.

Declining absolute yields on conventional bonds and narrowing spreads on corporate rate bonds have fuelled the interest of investors, which in turn has stimulated innovation by issuers.

The European scene has changed sharply since the late 1980s, when only mortgages were securitised. Assets securitised recently range from consumer loans to junk bonds, and from motorway tolls to wine. In a few cases, even unsuccessful securitisations have themselves been further repackaged into new securities.

US institutions have issued bonds backed by such esoteric assets as loans made to buyers of mobile phones, and Walt Disney even securitised revenues from motion pictures yet to be made. One of the most exotic deals in the US was by Grand Metropolitan, the UK branded food and drinks company, which recently sold $60m of bonds backed by tequila it plans to import from Mexico.

"There is practically not a single class of asset that cannot be securitised," said one analyst.

At first sight, NatWest's planned programme is innovative even by US standards. "It is the first time that a bank has taken a high quality investment grade corporate loan portfolio and transferred it to a securitisation vehicle," said Mr Martin Owen, chief executive of NatWest Markets.

The new securities, however, will resemble collateralised loan obligations, a technique used in the US since the late 1980s. CLOs are securitisations of diversified pools of (typically high yielding) assets. Repackaging them allows a trade-off between credit quality and yield. Since most of the assets have been low quality, high-yielding loans, issuers have sought to generate demand for the repackaged securities by partly sacrificing yield in exchange for credit enhancement.

Around $12bn of CLOs have been issued since 1987, of which just under $3bn were launched last year. Outstanding CLO paper now amounts to roughly $7bn.

Mr Paul Taylor, managing director of Duff & Phelps, the credit rating agency, said: "NatWest's transaction is technically a CLO." What made this deal different, he said, was that "CLOs have traditionally involved low quality assets".

NatWest argues that its deal differs from CLOs, because the underlying assets are all "high quality investment grade", or loans to unrated entities with high credit standing.

The securitised deal, in effect, will command a higher average credit rating than the underlying loans would gain in their own right, because the risk of default is reduced by the amalgamation of loans to around 300 borrowers.

But NatWest said the securities issued by ROSE Funding Group, its special purpose vehicle, will range from highly rated to unrated notes, so it seems likely the credit quality of some of the assets will be lowered.

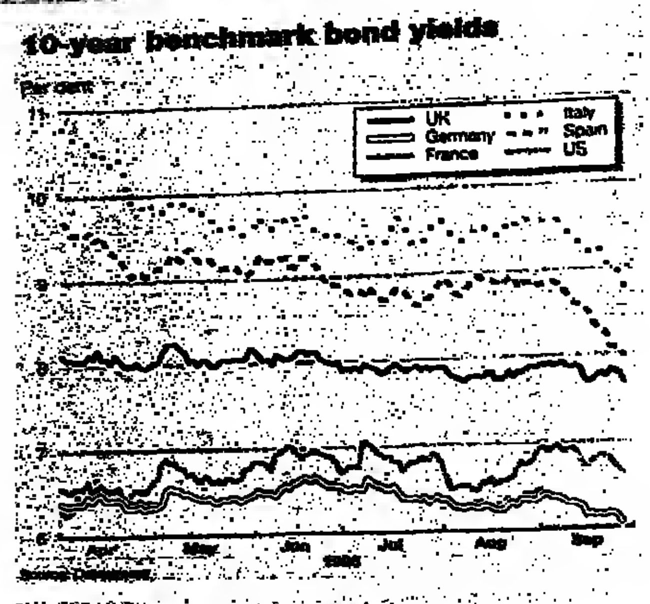
In compensation, the returns will be made more generous by attaching different levels of seniority to the issues. All payments made by borrowers are distributed to asset-backed securities holders by order of seniority.

The decision to securitise only high quality loans reduces the risk of default, but should any borrower fail to make one or more payments on its debt, the loss would affect only the lowest quality paper. It would take a large number of defaults before holders of the top quality paper are affected.

Analysts are confident the transaction will attract healthy demand if the yield is generous, and could even inspire other banks.

Meanwhile, NatWest has moved on. Last week British Land, the property group, announced it was launching bonds backed by future revenues from 135 Bishopsgate and had chosen as lead manager NatWest Markets, which is also the tenant of that property.

10-year benchmark bond yields



INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	2.50	4.75†	8.25	5.75*
Overnight	5.19	0.55	3.31	3.40	8.06	5.75
Three month	5.04	0.40	3.02	3.43	7.87	5.64
One year	5.64	0.52	3.18	3.81	7.82	5.91
Five year	6.41	1.31	5.09	5.79	8.03	7.09
Ten year	6.66	2.66	6.09	6.11	8.54	7.66

[illegible] Source: Reuters.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book-runner
US DOLLARS							
Republic of the Philippines(a)	690	Oct 2016	8.75#	95.481	9.250	+225(9¾%-26)	JP Morgan Securities
Banque Indosuez(b)‡	200	Oct 2006	(b1)	100.00R			[illegible]
Stadshypotek(c)‡	100	Mar 1999	(c1)	99.964			[illegible]
Banque de la Mediterranée	100	Oct 1998	8.75#	99.67R	8.[illegible]	[illegible]	[illegible]
BMC, Class A(f)★‡	639.192	Sep 2026	(f1)	100.00R			[illegible]
Commercial Bank of Korea‡	100	Oct 1999	(g)	100.00			[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-MARKS							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWISS FRANCS							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
STERLING							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GUILDERS							
Royal Hoogovens	200	Oct 2004	6.75	99.975R	6.754	[illegible]	Rabobank International
Achmea Hypotheekbank	200	Oct 2006	6.75	[illegible]	[illegible]	[illegible]	Rabobank International
FRENCH FRANCS							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LUXEMBOURG FRANCS							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ITALIAN LIRE							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRALIAN DOLLARS							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DANISH KRONER							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NEW ZEALAND DOLLARS							
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CZECH KORUNA							
World Bank	[illegible]	Oct 1997	11.00	[illegible]	[illegible]		ING Barings

Final terms, non-callable unless stated. [illegible]

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Sep 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
South Africa	(R)	7.0904	+0.0036	849 - 959	7.0959	7.0644	-	-	-	-	-	-	-
South Korea	(Won)	1284.30	+1.06	394 - 467	1284.92	1280.97	-	-	-	-	-	-	-
Taiwan	(T$)	42.9692	+0.0358	439 - 944	42.9944	42.8707	-	-	-	-	-	-	-
Thailand	(Bt)	39.7441	+0.0526	328 - 553	39.7553	39.6300	-	-	-	-	-	-	-

† Rates for Sep 26. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 27		Closing mid-point	Change on day	Bid/offer spread
South Africa	(R)	4.5345	-0.0015	320 - [illegible]
South Korea	(Won)	821.350	-	300 - [illegible]
Taiwan	(T$)	27.4800	-	700 - [illegible]
Thailand	(Bt)	25.4175	+0.0125	180 - [illegible]

† SDR rate per $ for Sep 26. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 26: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

September 27	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3	3	[illegible]	[illegible]	[illegible]	6.00	2.50	-
week ago	[illegible]	3	[illegible]	[illegible]	[illegible]	6.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.35	-	4.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.35	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
week ago	3	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	8.25	6.22
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	8.25	8.50
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	3	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.14	5.21	5.33	5.59	-	-	-
week ago	-	5.14	5.30	5.46	5.78	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Sep 27	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4 - [illegible]
D-Mark	[illegible]	[illegible] - 3	[illegible] - 3	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	7 - [illegible]	7 - [illegible]
Spanish Peseta	[illegible]	[illegible]	7 - [illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.25	94.23	-0.01	94.27	94.22	140,071	499,787
Mar	94.12	94.10	-0.02	94.17	94.08	128,724	351,189
Jun	93.95	93.93	-0.02	94.00	93.91	57,600	257,009

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.83	94.79	-0.02	94.83	94.78	665	4,069
Mar	94.68	94.64	-0.02	94.70	94.63	13	1,489
Jun	-	94.50	-	94.52	-	50	75

All Open Interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.64	16.42	4.856	1.989	4850	5.449	20.71	493.8	408.4	21.13	4.002	2.038	4.347	3.187	353.2	2.545
Denmark	(DKr)	53.63	10	8.804	2.606	1.067	2601	2.923	11.11	264.8	219.0	11.33	2.147	1.093	2.331	1.709	189.4	1.365
France	(FFr)	60.92	11.36	10	2.958	1.212	2955	3.320	12.61	300.8	248.8	12.87	2.438	1.241	2.648	1.942	215.1	1.551
Germany	(DM)	20.59	3.839	3.380	1	0.410	998.7	1.122	4.264	101.7	84.10	4.352	0.824	0.420	0.895	0.656	72.72	0.524
Ireland	(I£)	50.26	9.374	8.253	2.442	1	2439	2.740	10.41	248.3	205.3	10.63	2.012	1.025	2.185	1.602	177.6	1.280
Italy	(L)	2.062	0.384	0.338	0.100	0.041	100.	0.112	0.427	10.18	8.420	0.436	0.083	0.042	0.090	0.066	7.282	0.052
Netherlands	(Fl)	18.35	3.421	3.012	0.891	0.365	890.1	1	3.800	90.61	74.94	3.878	0.734	0.374	0.798	0.585	64.81	0.467
Norway	(NKr)	48.30	9.005	7.928	2.345	0.961	2343	2.632	10	238.5	197.2	10.21	1.933	0.984	2.099	1.539	170.6	1.229
Portugal	(Es)	20.25	3.776	3.324	0.983	0.403	982.3	1.104	4.193	100.	82.71	4.280	0.811	0.413	0.880	0.645	71.52	0.515
Spain	(Pta)	24.49	4.565	4.019	1.189	0.487	1188	1.334	5.070	120.9	100.	5.175	0.980	0.499	1.064	0.780	86.48	0.623
Sweden	(SKr)	47.32	8.823	7.768	2.298	0.941	2295	2.579	9.797	233.7	193.2	10	1.894	0.964	2.057	1.508	167.1	1.204
Switzerland	(SFr)	24.98	4.658	4.101	1.213	0.497	1212	1.362	5.173	123.4	102.0	5.280	1	0.509	1.086	0.796	88.24	0.636
UK	(£)	49.07	9.149	8.055	2.383	0.976	2380	2.674	10.16	242.3	200.4	10.37	1.964	1	2.133	1.564	173.3	1.249
Canada	(C$)	23.01	4.289	3.776	1.117	0.458	1116	1.254	4.763	113.6	93.95	4.862	0.921	0.469	1	0.733	81.25	0.586
US	($)	31.37	5.850	5.150	1.524	0.624	1522	1.710	6.496	154.9	128.1	6.630	1.256	0.639	1.364	1	110.8	0.799
Japan	(Y)	28.32	5.279	4.648	1.375	0.563	1373	1.543	5.863	139.8	115.6	5.984	1.133	0.577	1.231	0.902	100.	0.721
Ecu		39.29	7.325	6.449	1.908	0.781	1906	2.141	8.135	194.0	160.4	8.303	1.572	0.801	1.708	1.252	138.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Dec	0.6602	0.6594	-0.0005	0.6608	0.6588	36,829	65,855
Mar	0.6635	0.6637	-0.0005	0.6648	0.6633	56	1,199
Jun	-	0.6680	-0.0005	-	-	2	2,112

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Dec	0.8048	0.8026	-0.0025	0.8060	0.8020	20,523	40,401
Mar	0.8115	0.8107	-0.0026	0.8139	0.8100	161	1,453
Jun	-	0.8191	-0.0026	0.8219	0.8191	10	66

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Dec	0.9137	0.9118	-0.0021	0.9156	0.9110	14,316	71,667
Mar	0.9238	0.9239	-0.0021	0.9248	0.9238	62	1,623
Jun	-	0.9360	-0.0021	-	0.9360	4	193

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est.vol	Open int.
Dec	1.5612	1.5634	+0.0034	1.5646	1.5590	6,295	39,110
Mar	1.5640	1.5634	+0.0034	1.5646	1.5614	1	77
Jun	-	1.5634	+0.0034	1.5630	-	4	2

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
1.540	2.32	2.54	2.80	-	0.31	0.58
1.550	1.45	1.87	2.17	0.12	0.58	0.90
1.560	0.74	1.26	1.59	0.41	0.96	1.32
1.570	0.29	0.79	1.13	0.96	1.51	1.85
1.580	0.05	0.46	0.76	1.72	2.17	2.51

Previous day's vol., Calls 7,331 Puts 4,385 . Prev. day's open int., Calls 142,762 Puts 110,864

■ Pound in New York

Sep 27	—Close—	—Prev. close—
£ spot	1.5635	1.5610
1 mth	1.5630	1.5605
3 mth	1.5625	1.5598
1 yr	1.5607	1.5575

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Markets page in today's edition.

BANK RETURN

BANKING DEPARTMENT	Wednesday September 25, 1996	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	922,211,906	-198,258,912
Bankers deposits	1,954,790,010	+115,192,104
Reserve and other accounts	3,351,423,004	-223,594,562
	6,242,977,920	-306,661,370
Assets		
Government securities	1,256,114,405	-11,560,000
Advance and other accounts	2,010,340,648	-626,079,743
Premises, equipment and other secs	2,964,340,559	+326,033,253
Notes	12,060,493	+6,932,792
Coin	121,815	+12,328
	6,242,977,920	-306,661,370
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	20,817,939,507	+53,067,208
Notes in Banking Department	12,060,493	+6,932,792
	20,830,000,000	+60,000,000
Assets		
Other Government securities	16,692,944,382	-964,650,422
Other Securities	4,137,055,613	+1,024,650,422
	20,830,000,000	+60,000,000

UK INTEREST RATES

LONDON MONEY RATES

Sep 27	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 6
Discount Market deps	[illegible]	[illegible]	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Sep 30, 5.5516pc. ECGD fixed rate Stlg. Export Finance. Make up day Sep 30, 1996. Agreed rate for period Oct 26, 1996 to Nov 25, 1996, Schemes II & III 7.09pc. Reference rate for period Aug 31, 1996 to Sep 30, 1996, Schemes IV & V 5.849pc. Finance House Base Rate 6pc from Sep 1, 1996

BANK OF ENGLAND TREASURY BILL TENDER

	Sep 27	Sep 20		Sep 27	Sep 20
Bills on offer	£400m	£400m	Top accepted rate	5.5752%	5.5552%
Total of applications	£2729m	£1907m	Ave. rate of discount	5.5516%	5.5432%
Total allocated	£400m	£500m	Average yield	5.6295	5.6208%
Min. accepted bid	£98.610	£98.625	Offer at next tender	£400m	£400m
Allotment at min. level	15%	81%	Min. accept. bid 93 days	£98.620	£98.595

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	NatWestminster	5.75
Allied Trust Bank	5.75	Duncan Lawrie	5.75	•Rea Brothers	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
•Henry Ansbacher	5.75	Financial & Gen Bank	7.00	•Singer & Friedlander	5.75
Bank of Baroda	5.75	•Robert Fleming & Co	5.75	•Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	•Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	•Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	•Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
•Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75	• Members of London Investment Banking Association	
Clydesdale Bank	5.75	•Leopold Joseph & Sons	5.75		
The Co-operative Bank	5.75	Lloyds Bank	5.75	* In administration	
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	•Mount Credit Corp	6.00		

FT GOLD MINES INDEX

[illegible]

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LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt. paid up	Mkt. cap (£m)	1996 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§95	F.P.	12.1	70½	69½	†Polydoc	[illegible]					
-	F.P.	217.4	£44	£25[illegible]	Regent Kingpin	[illegible]					
-	F.P.	2.18	£550	£23[illegible]	Regent K'pin Wts	[illegible]					
§100	F.P.	81.5	96	90¼	Schroder Em Ctra	[illegible]					
§	F.P.	5.80	40	31	Schroder Em Wts	[illegible]					
-	F.P.	6.81	137½	132½	Shelbane	[illegible]					
§	F.P.	8.87	7½	6¾	†Weeks Group	[illegible]					

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

[illegible]

UK GILTS PRICES

[illegible]

STOCK INDICES

[illegible]

HSBC Holdings plc

Incorporated in England with limited liability. Registered in England: number 617987
Registered Office and Group Head Office: 10 Lower Thames Street, London EC3R 6AE, United Kingdom

Notice to Former Shareholders of The Hongkong and Shanghai Banking Corporation Limited

Scheme of Arrangement

Pursuant to a Scheme of Arrangement between The Hongkong and Shanghai Banking Corporation Limited ('HongkongBank') and its shareholders ('the Scheme'), which became effective on 2 April 1991, HSBC Holdings plc ('HSBC Holdings') acquired the entire issued share capital of HongkongBank. One Ordinary Share of HK$10 in HSBC Holdings was issued in exchange for every four shares of HK$2.50 each in HongkongBank. Certificates for the Ordinary Shares in HSBC Holdings were mailed to shareholders of HSBC Holdings on 6 April 1991.

The Trust

The Ordinary Shares in HSBC Holdings which would otherwise have been allotted to HongkongBank shareholders who were 'untraceable' (as defined in the Scheme) were allotted under the terms of the Scheme to Coutts & Co (Jersey) Limited (formerly NatWest International Trust Corporation (Jersey) Limited) ('the Trustee') and are to be held by the Trustee on the terms of a Trust Deed dated 1 February 1991 between HSBC Holdings and the Trustee.

Claims

Any person who believes he is entitled to HSBC Holdings shares issued in exchange for HongkongBank shares under the Scheme (and any other property held by the Trustee with respect to or derived from such shares) and who has not received the relevant share certificates should address a claim to the Exchange Agent, Central Registration Hong Kong Limited, Rooms 1901-5, Hopewell Centre, 183 Queen's Road East, Hong Kong (who has been appointed by the Trustee for the purpose of receiving and processing such claims) enclosing (wherever possible) certificates for the appropriate number of HongkongBank shares.

For and on behalf of
HSBC Holdings plc
R G Barber
Secretary

30 September 1996

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	Wk% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Allied Domecq	♣NR	453	-1.9	Q29.5	1.1	Feb Jul	20.5	1590
Bulmer (HP)	♣	408½	-5.6	13.2	2.3	Feb Sep	29.7	2005
Burn St Dist	♣	94	-.5	6.6	0.9	May Nov	22.4	1518
Glenmorangie A		775	—	12.0	3.3	Jan Jul	17.6	3257
Grand Met	♣	475½	-.4	15.25	1.9	Apr Oct	22.7	2739
Guinness	♣	454½	-1.9	15.25	2.1	May Nov	1.4	2791
Highland	♣	347½	1.2	6.6	2.7	Jan Jun	7.5	2880
5½pc Cnv Bds		103		–	–	–	–	–
Kirin Y		704	2.5	Q26%	4.2	Sep Jun	–	1110
Matthew Clark	♣	310½	-9.0	24.0	0.7	Apr Oct	22.7	2188
Merrydown	♣	119½	-2.8	4.5	2.4	Jan Oct	15.7	3382
Seagram $		24¾	6.1	Q60c	–	MrJeSeDe	3.95	–

BANKS, MERCHANT

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 9pc Cm 2nd Prf		90½		9%	–	Jan Dec	11'94	1787
Cater Allen	♣	390	-8.4	38.0	1.1	Jan Aug	8.7	2061
Close Bros	♣	329½	-3.4	10.0	2.4	Apr Oct	11.3	2106
Gerrard & Nat	♣	314	-4.1	23.0	1.4	Jul Dec	24.6	2595
Hambros		254	0.6	7.5	–	Aug Dec	17.6	2812
7½pc Cv Pf		111½	0.5	7½%	–	Apr Oct	1.9	[illegible]
King & Shaxson	♣	162½	-3.6	9.0	1.1	Jan Aug	1.7	3088
Leopold J.	♣	485		18.4	1.4	Jan Sep	12.8	3089
Rea Brothers	♣	[illegible]	2.8	1.0	5.5	May Oct	27.8	[illegible]
Schroders	♣	[illegible]	-.7	17.5	5.0	May Oct	16.9	[illegible]
N/V		[illegible]	0.5	17.9	5.0	May Oct	16.9	3941
Singer & Fried	♣	[illegible]	-3.3	4.25	3.2	Jan Nov	21.9	4028
8½pc Cv Ln 09/14		93½	-.7	8½%	–	Nov May	25.3	[illegible]
Union	♣	108½	-3.1	3.0	3.1	Apr Sep	27.8	[illegible]

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

INV TRUSTS SPLIT CAPITAL - Cont.

	Notes	Price	Wk% ch'nge	Div net	Dividends paid	Mkt capital	Last xd	City line
[illegible]								

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

	Notes	Price	Wk% ch'nge	Div net	Dividends paid	Mkt capital	Last xd	City line
Approved by the Inland Revenue								
[illegible]								

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

	Notes	Price	Wk% ch'nge	Div net	Dividends paid	Mkt capital	Last xd	City line
[illegible]								

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

LEISURE & HOTELS - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

LIFE ASSURANCE

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

MEDIA

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

OIL EXPLORATION & PRODUCTION

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

OIL, INTEGRATED

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

OTHER FINANCIAL

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

PAPER, PACKAGING & PRINTING

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

PHARMACEUTICALS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

PROPERTY

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

PROPERTY - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

PROPERTY - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

RETAILERS, FOOD

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

RETAILERS, GENERAL

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

RETAILERS, GENERAL - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

SUPPORT SERVICES

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

SUPPORT SERVICES - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

TELECOMMUNICATIONS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

TEXTILES & APPAREL

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

TOBACCO

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
BAT Inds		[illegible]						
[illegible]								

TRANSPORT

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

WATER

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

AIM

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

AIM - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
[illegible]								

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange and has less stringent rules than the Official List.

AMERICANS

	Notes	Price £	Wk% ch'nge	Div gross	Dividends paid	Last xd	City line
[illegible]							

CANADIANS

	Notes	Price £	Wk% ch'nge	Div gross	Dividends paid	Last xd	City line
[illegible]							
Trans Can Pipe	♥	16⅞	-3.3	84c	JaApJyOc	12.93	-
Western Star Trucks		28⅓	-1.3	-	-	-	-

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		229½xd	-1.1	0545c	♦	May Oct	2.9	-
Barlow	‡†	9⅝	---	091c	-	Jan Jul	17.6	-
Gold Flds Prop R		137½	---	080c	1.5	Mar Sep	26.2	-
MC Props.		60	---	083.8c	-	Mar Sep	9.95	-
SASOL	♥	445	---	078c	-	Oct	9.93	-
SA Brews		21⅞	---	0200c	♦	Jul Dec	3.6	4113
Standard Bank		27½	1.8	0284c	2.1	Sep Mar	-	-
Tiger Oats	†	790	---	0114c	3.0	Jan Jul	16.8	-
Tongaat-Hulett		780xd	---	0130c	♦	Jun Jan	20.5	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are calculated on a "net" basis.

Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(V) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ☼ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ✦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment schemes.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1996-97. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Dividend in paid in whole or part as a FID (Foreign Income Dividend). Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. S Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: News Corp Prf (Med), Tracer Petroleum (OIE), R Fraser Asset Man, Selector (AIM). Deletions: Ottomane (BnkR), Boustead (EngV), IOMS Packet (Tran), Powerhouse Res (OIE), Firecrest (AIM), Whirlpool (American)

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

BERMUDA (REGULATED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

Odey Asset Management Ltd
00 Harcourt Street, Dublin 2

Old Mutual International Fd Mngrs Ltd (u)
9/11 Lower Mount Street, Dublin 2, Ireland

Prolific International Fund Plc
33 Fitzwilliam Square, Dublin 2

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (REGULATED)(**)

JERSEY (SIB RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

Fidelity Funds - Contd.

Mercury Asset Management S.A. - Contd.

Astra International Umbrella Fund - Contd.

Credis Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

State Street Luxembourg SA - Contd.

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

CMI Ins Co Ltd/Clerical Med Gen Life

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 27 / Sch)

BELGIUM/LUXEMBOURG (Sep 27 / Frs.)

CZECH REP (Sep 27 / Korunas)

DENMARK (Sep 27 / Kr)

FINLAND (Sep 27 / Mks)

FRANCE (Sep 27 / Frs.)

GERMANY (Sep 27 / Dm.)

GREECE (Sep 27 / Drachma)

ITALY (Sep 27 / Lire)

NETHERLANDS (Sep 27 / Fls.)

NORWAY (Sep 27 / Kroner)

POLAND (Sep 27 / Zloty)

PORTUGAL (Sep 27 / Escudo)

SPAIN (Sep 27 / Pts.)

SWEDEN (Sep 27 / Kronor)

SWITZERLAND (Sep 27 / Frs.)

TURKEY (Sep 27 / Tk Lira)

PACIFIC

JAPAN (Sep 27 / Yen)

HONG KONG (Sep 27 / H.K.$)

INDONESIA (Sep 27 / Rupiah)

MALAYSIA (Sep 27 / MYR)

NEW ZEALAND (Sep 27 / NZ $)

SINGAPORE (Sep 27 / S$)

AUSTRALIA (Sep 27 / Aust$)

SOUTH KOREA (Sep 25 / Won)

TAIWAN (Sep 26 / TW $)

THAILAND (Sep 27 / Baht)

NORTH AMERICA

CANADA

TORONTO (Sep 27 / Can $) 4 pm close

MONTREAL (Sep 27 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Sep 27 / Rand)

INDICES

	Sep 27	Sep 26	Sep 25	1996 High		1996 Low	
India BSE Sens.(1979)	3254.73	3307.05	3343.92	4069.26	18/6	2828.06	25/1
Indonesia Jakarta Comp.(10/8/82)	573.30	571.25	572.28	630.21	24/4	512.48	2/1
Ireland ISEQ Overall(4/1/88)	2653.52	2624.39	2608.55	2663.52	27/9	2234.81	2/1
Italy Banca Comm Ital(1972)	633.26	619.28	608.10	674.10	20/5	572.21	27/3
MIB General(2/1/95)	1073.0	1049.0	1032.0	1142.08	20/5	970.80	27/3
Japan Nikkei 225(16/5/49)	21547.02	21461.37	21350.97	22666.80	26/6	19734.70	13/3
Nikkei 300(1/10/82)	303.41	301.56	299.89	319.70	26/6	284.46	11/3
Thailand Bangkok SET(30/4/75)	1047.55	1042.80	1034.94	1415.04	6/2	982.08	10/8
Turkey Istanbul Comp.(Jan 1986)	71576.8	71533.4	72061.2	73581.20	8/7	38779.38	2/1
WORLD MS Capital Intl(1/1/70)	785.6*	784.5	784.1	785.80	26/9	725.90	15/1
CROSS-BORDER Eurotrack 100(26/10/90)	1723.44	1718.77	1711.38	1723.44	27/9	1594.40	11/1
Euro Top-100(26/6/90)	1465.16	1456.72	1451.89	1465.16	27/9	1339.01	11/1
HSBC JC Dogs(31/12/88)	(u)	381.94	380.97	383.16	16/4	344.19	2/1
ING Brngs Emrg(7/1/92)	180.93	180.77	181.20	185.91	4/7	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x index)							
Sep	2109.0	2109.5	+4.5	2112.0	2102.5	28,528	20,272
Oct	2112.0	2114.5	+4.5	2116.5	2108.0	14,949	17,359
■ DAX							
Mar	2676.0	2677.0	−6.5	2682.0	2670.5	12,877	–
Dec	2693.0	2695.5	−7.0	2697.5	2691.0	448	–

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ OMX							
Sep	1612.00	1617.00	+11.00	1617.00	1609.00	589	6,830
Oct	1616.00	1618.00	+4.75	1623.00	1616.00	4,365	21,336
■ SOFFEX							
Sep	3736.5	4425.0	+740.0	3737.0	3679.0	500	1,307
Oct	3741.0	3889.0	−39.7	3741.0	3689.0	3,952	9,641

– Sat Sep 21: Taiwan Weighted Price 6490.09; Korea Comp Ex 766.37. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. 56 Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. † IBIS/DAX after-hours index: Sep 27 - 2659.66 -6.10

1 Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Sep 27	Sep 26	Sep 25	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5872.92	5868.85	5877.36	5894.74 (20/9)	5032.94 (10/1)	5894.74 (23/9/96)	41.22 (8/7/32)
Home Bonds	102.81	102.18	101.98	106.89 (14/2)	100.89 (15/7)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2067.04	2048.17	2071.60	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	13.23 (8/7/32)
Utilities	218.14	218.63	218.98	234.00 (12/2)	204.86 (30/7)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 5903.99 (5926.04) Low 5819.85 (5828.90) (Theoretical♦)
Day's high 5876.25 (5903.82) Low 5846.55 (5851.47) (Actual♦)

Standard and Poors	Sep 27	Sep 26	Sep 25	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	686.19	685.86	685.83	687.03 (20/9)	598.48 (10/1)	687.03 (20/9/96)	4.40 (1/6/32)
Industrials♥	811.13	811.23	812.13	814.67 (20/9)	702.07 (15/1)	814.67 (20/9/96)	3.52 (30/6/32)
Financial	72.36	72.11	71.58	72.11 (26/9)	58.67 (10/1)	72.11 (20/9/96)	7.13 (4/9/74)
NYSE Comp.	366.27	365.99	365.30	365.99 (26/9)	321.41 (10/1)	365.99 (26/9/96)	4.64 (25/4/42)
Amex Mkt Val	588.47	587.19	585.89	614.99 (22/5)	525.60 (16/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1230.05	1227.98	1224.83	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (3/10/74)

■ RATIOS

	Sep 20	Sep 13	Sep 6	Year ago
Dow Jones Ind. Div. Yield	2.16	2.17	2.24	2.42
	Sep 25	Sep 18	Sep 11	Year ago
S & P Ind. Div. yield	1.97	1.96	2.02	2.07
S & P Ind. P/E ratio	22.54	22.41	21.84	17.94

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Pepsico	22,614,900	20⅝	-2⅝
K-Mart	6,964,700	9¼	-¼
Micron Tch	6,490,400	31⅝	-¾
Tag Heuer	6,240,900	20	——
Univision	5,473,900	31½	+8½
AT & T	5,124,500	51½	-½
Cox Radio	4,887,700	22	+3½
Mercury Fn	3,596,500	11⅝	+⅝
Fresenius	2,970,300	23⅝	+⅛
Shell	2,802,300	92¼	+¼

■ TRADING ACTIVITY

● Volume (million)

	Sep 27	Sep 26	Sep 25
New York SE	406,786	499,853	481,698
Amex	18,168	23,698	18,850
NASDAQ	n/a	734,887	693,804
NYSE			
Issues Traded	3,207	3,222	3,210
Rises	1,296	1,398	1,294
Falls	1,007	1,005	1,042
Unchanged	904	821	874
New Highs	122	161	115
New Lows	33	31	38

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Dec	691.80	691.40	−0.55	692.30	688.60	71,820	178,854
Mar	696.60	697.75	−0.55	696.60	695.15	178	3,987
■ Nikkei 225							
Dec	21510.0	21500.0	−50.0	21670.0	21480.0	15,931	199,460
Mar	21590.0	21600.0	−30.0	21690.0	21580.0	256	10,229

Open interest figures for previous day.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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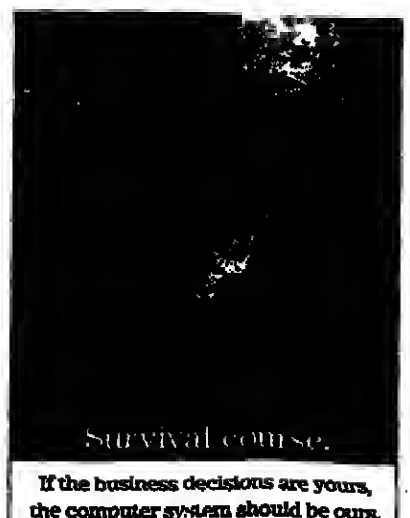
■ TOKYO - MOST ACTIVE STOCKS: Friday, September 27, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Janome Sew Mach	8.6m	488	-22	Hitachi	4.6m	1,080	+10
Sumitomo Seika	6.1m	883	-50	Nippon Steel	4.1m	346	
Toshiba Corp	6.0m	764		Toyota Motor	3.9m	2,850	+40
Fujitsu	5.8m	1,060		Daido Stl Sheet	3.7m	1,070	+10
NEC	5.0m	1,290	-10	Nichiboshin	3.7m	506	-34

4 pm close September 27

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
22 7/8	17 3/4	AAR	0.48	2.1	20	117	22 1/8	22 3/4	22 7/8	-1/8
46 3/4	36 1/2	AMP	1.00	2.6	16	1926	39	38 5/8	38 7/8	
97 1/2	65	AMR			16	9829	80 1/4	78 7/8	79 3/8	-1/8
50 1/2	37 3/8	ASA	2.00	5.2	25	242	38 3/4	38 5/8	38 1/2	-1/8
49 1/4	38 1/8	AbbtL	0.36	1.9	21	5586	u49 1/4	48 5/8	49 1/4	+5/8
17 1/8	12 1/4	AbtiBi Pr	0.40	3.1	8	264	12 7/8	12 3/4	12 7/8	
20 1/4	13 1/2	ABM Inc	0.35	2.1	17	11	17	16 7/8	16 7/8	
19	13 7/8	Acceptcin			30	10	16 7/8	16 1/2	16 7/8	
52	37 1/4	ACE Ltd	0.58	1.1	12	2541	152	49 3/4	52	+2 1/4
10 1/8	9 1/8	ACM Gvt In	0.48	4.8	6	136	10	9 7/8	9 7/8	-1/8
7 7/8	6 5/8	ACM GvOpp	0.57	8.3		44	7	6 7/8	6 7/8	
9 5/8	8 5/8	ACM Man	0.90	9.5		278	9 1/2	9 3/8	9 1/2	
13 7/8	6 1/8	Acme Elect	0.32	4.3	125	224	7 1/2	7 1/8	7 1/2	+1/4
17 1/2	13 3/4	Acme Mills			19	38	17 1/8	16 7/8	17	+1/8
33 1/4	27 3/4	Acordia	0.72	2.4	17	38	29 7/8	30 1/2	30 1/8	-1/8
21 3/8	12	Acuson			86	612	17 1/4	17 1/8	17 1/4	
20 1/8	17 7/8	Adams Expr	0.48	2.4	1	928	u20 1/8	19 7/8	19 7/8	-1/8
21 1/8	10 1/4	Adflex			8	6583	15 1/8	14 1/2	14 3/4	-3/8
11 3/8	8 1/2	Advest Grp	0.16	1.6	7	25	9 7/8	9 3/4	9 7/8	
26 1/8	9 1/2	Advo Inc	0.10	0.95	81	218	11 5/8	11 1/4	11 5/8	+1/2
51 1/2	41 1/4	Aegon	1.45	2.6	15	34	49 5/8	49 3/8	49 5/8	
8 3/4	3 1/2	Aeroflex			9	130	4 7/8	4 3/4	4 3/4	-1/8
70 3/4	57 5/8	Aetna	0.80	1.1	7	5827	70 5/8	68 3/4	70 1/8	+1 3/8
37	28 1/4	Aflac	0.40	1.1	15	1498	36 1/2	35 1/8	36 1/2	+7/8
21 1/8	17 1/8	AGL Res	1.08	5.5	18	161	19 1/4	19	19 1/8	-1/8
28 3/4	21 1/4	Ahmanson	0.88	3.1	7	12672	u28 3/4	26 7/8	28	+1 1/8
60 7/8	50 7/8	AirPrC x	1.10	1.9	18	3026	58	57	57 5/8	
29 3/8	19 7/8	Airbne Frt	0.30	1.5	13	388	20 3/4	20 3/8	20 1/2	+1/8
25 1/2	15 1/2	Airgas Inc			40	2187	u25 1/2	24 1/2	25 3/8	+7/8
18 7/8	13 3/4	Airtouch x	1.20	12.1	9	97	18	14 7/8	14 7/8	



Continued on next page

4 pm close September 27

NYSE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
		Continued from previous page								
33¼	22¾	Schwitzer	0.60	1.8	15	528	u33¼	32¾	33¼	+⅝
20⅜	12	SciAtl	0.56	0.4	195	2089	18¼	15⅝	15¾	-½
24	17	Scotsman x	0.19	0.4	12	2	22⅞	22⅞	22⅞	
47½	38⅛	Scripps	0.52	1.1	26	271	46⅞	45¾	46⅞	+½
18½	12⅞	ScudderNAmF	0.02	0.2		212	13⅛	13	13⅛	
13¾	11	ScudderNEurF	0.18	1.2		172	u13¾	13⅝	13¾	+¼
20½	18	SeaCnB	0.17	0.9	36	6	19⅝	18½	18⅝	+¼
10	15	SeaC1.4625	1.46	9.4		13	16½	15½	15½	
67¾	38⅛	S'gate			37	7029	57	55⅝	56	-¾
38⅞	30⅞	Seagram	0.66	1.8	26	4180	u38⅞	37⅞	38⅛	+½
20	17¼	Seagull En	1.20	0.1	12	2350	19⅝	19⅜	19⅝	
39	20	Sealed Air	0.04	1.7	25	5071	36⅞	35⅞	36¾	-½
53⅞	38¼	SearsR	0.92	2.1	10	11088	45⅛	44	44⅞	-¾
22⅝	19¼	SecCapStI	1.24	5.7	10	750	21¾	21⅜	21¾	+⅛
13	11⅞	Seligm Sel	0.84	6.8		118	12⅞	12¼	12¼	-⅛
23¾	13⅝	Sensormat	0.22	1.2	15	3581	18¼	17¼	17¾	+⅜
46½	29½	SequaA	0.60	1.3	52	26	45⅛	44⅞	45	+¼
53⅝	39	SequaB	0.50	0.9	62	41	u53⅝	52¼	53¼	
31¾	19½	ServCp	0.24	0.8	30	2817	21	30¼	30⅝	+¼
24¾	18⅛	SvMstr	0.68	2.8	13	314	24⅜	24	24⅛	
6¾	4½	ServMerch			18	2404	4⅞	4¾	4⅞	
50¼	28½	SGSThm			9	1846	47⅞	47	47½	-⅜
15⅝	10⅝	Shaw Ind	0.30	2.4	22	5754	13½	12⅝	12¾	-⅜
13½	10⅛	Shelby Wil	0.22	2.8	19	64	12¾	12⅜	12¾	+¼
94¾	76⅝	ShellTr x	3.26	3.5	19	28014	93¼	92¼	92¼	-1½
47⅛	39	SherW	0.70	1.5	19	729	46¼	45⅝	46¼	+¾
...										
47⅞	38¾	Xtra Corp	0.72	1.7	16	81	42¼	41⅛	41⅛	-⅞
25¾	20⅞	Yankee Egy	1.30	5.5	12	292	23⅝	22⅝	23½	+⅞
53¾	40⅞	York Int x	0.56	0.7	22	748	48¾	48	48⅛	+¼
3⅞	0	Zapata	0.14	3.9	19	122	3¾	3⅝	3⅝	
25¾	5⅞	ZenithE			10	7576	16⅞	15⅝	15⅝	-⅞
28⅞	21⅛	Zenith Nat	1.00	3.7	35	87	27⅛	26¾	26⅞	-¼
7⅛	6½	Zenix Inc x	0.72	10.1		302	u7⅛	7	7⅛	
22⅞	15⅛	Zero	0.12	0.7	15	144	18⅜	18¼	18⅜	-⅛
23¾	13½	Zurn Ind x	0.40	1.8	16	400	22⅜	22⅛	22⅜	+⅛
11⅛	10½	Zweig Fund	1.06	9.7		555	11⅛	11	11⅛	+⅛
6	5¼	Zweig Tot	0.84	9.9		409	8½	8⅜	8½	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. sls-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

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AMEX PRICES

4 pm close September 27

NASDAQ NATIONAL MARKET

4 pm close September 27

FT GUIDE TO THE WEEK

MONDAY 30

Bosnia election decision

The body which supervised the elections in Bosnia, the Organisation for Security and Co-operation in Europe (OSCE), is due to announce whether the results should be certified as valid. Robert Frowick, the OSCE head in Sarajevo, is expected to say certification should be granted. Provisional figures appear to show a turn-out of 96 per cent, which many observers concluded was evidence of fraud on a massive scale. OSCE sources in Sarajevo deny that – in order to allow the west to begin disengagement from Bosnia – the poll will be declared a success whatever the evidence.

EU, Japan to improve links

Enhancing political ties and trade and investment flows will be at the forefront of the annual summit between the European Union and Japan, which starts in Tokyo. John Bruton, the Irish prime minister and current president of the European Council, Jacques Santer, the president of the European Commission, and Sir Leon Brittan, the commissioner responsible for trade policy, will meet Ryutaro Hashimoto, the Japanese prime minister, to review progress on all aspects of their relations.

Swiss debate Nazi inquiry

The Swiss parliament begins its debate on the government's plan to investigate the fate of assets deposited in Switzerland before and during the second world war. Amid intense criticism of Switzerland's role as a recycling point for looted Nazi gold, the government is rushing through legislation to facilitate the investigation – for which purposes the bank secrecy laws would be lifted and imprisonment or fines of up to SFr50,000 (£25,600) imposed on anybody obstructing it.

Spanish budget presented

Spain's centre-right government sends its first budget to parliament, with tough spending curbs aimed at meeting the deficit limits for the European single currency. These include a pay freeze next year for 2m public-sector employees. Unions will be staging their first demonstrations against the plan, and another protest day is scheduled to take place a week before parliament begins its debate on the budget on October 22. However, safe passage for the budget bill is guaranteed after agreement between the minority government and Catalan and other regional parties.

Rao in criminal court

P.V. Narasimha Rao, the former Indian prime minister, is to appear in a Delhi criminal court for the first time on charges of conspiracy and cheating a London-based food executive out of $100,000 (£64,000). Mr Rao resigned as Congress party president after he was ordered to answer the charges in court. Lawyers say he could be arrested following the proceedings, but he is expected to ask for bail.

The opposition Labour party's conference continues in Blackpool until October 4 amid the government's controversial 'demon eyes' campaign

WorldAid exhibition starts

About 45 humanitarian agencies and more than 260 commercial suppliers are taking part in the first ever WorldAid exhibition and conference at Geneva's exhibition centre (to Oct 4). All the main United Nations relief agencies, church groups, the International Red Cross and private charities are participating. WorldAid, the group organising the event, says humanitarian aid is now worth $8bn (£5.1bn) annually in relief supplies including food, medicines, building materials and transport equipment.

Public holidays

Australia, Botswana, Sao Tome.

TUESDAY 1

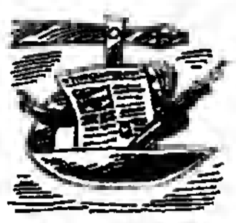
IMF-WB discuss debt relief

Finance ministers on the Development Committee of the World Bank and International Monetary Fund will discuss proposals to help relieve the debt burdens of up to 20 of the world's poorest countries. These discussions come before the formal opening of the annual meeting of the IMF and World Bank, in which finance ministers and central bank governors from about 180 countries gather in Washington (to Oct 3).

EU foreign ministers

EU foreign ministers meet in Luxembourg to discuss how to retaliate against the US Helms-Burton and D'Amato laws penalising companies doing business in Cuba, Iran and Libya. The EU is likely to agree counter-measures in principle, possibly including an appeal to the World Trade Organisation. Ministers will discuss the escalating violence between Israel and the Palestinians and negotiations in the the Maastricht treaty review conference (IGC).

British MP sues for libel



A case resumes in Britain's High Court in which Neil Hamilton, a former Conservative minister, brings a libel action against The Guardian, which accused him of accepting cash to ask questions in the House of Commons. The Guardian has subpoenaed John Major, the British prime minister, Michael Heseltine, the deputy prime minister, and Sir Robin Butler, the Cabinet secretary.

Germany expels refugees

The German authorities begin expelling more than 300,000 refugees who fled Bosnia during the war. The repatriation will be phased and the number is expected to be small to begin with. Observers say the decision reflects impatience that most refugees show little sign of returning almost a year after the Bosnian war ended. Most are Moslems who fled Serbian "ethnic cleansing". Aid agencies say they will not be able to go back to their homes.

China National Day

China celebrates its 47th National Day, the anniversary of the founding of the People's Republic in 1949. Later in the week, the central committee meets in plenary session. Discussion is expected to focus on developing a "spiritual civilization" in China – the party's solution to the challenge of finding a new, relevant ideology now that economic reform has undermined Marxism-Leninism.

FT Survey

Panama.

Public holidays

Botswana, China, Cyprus, Macau, Myanmar, Nigeria, Rwanda, San Marino.

WEDNESDAY 2

Ministers plan for IGC

The foreign ministers of Germany and France, Klaus Kinkel and Hervé de Charette, meet in Paris for a Franco-German seminar on the intergovernmental conference. Apart from further attempts to co-ordinate their strategy throughout the remainder of the IGC the two foreign ministers will discuss the agenda at the EU summit in Dublin.

Franco-Italian summit

Romano Prodi, the Italian premier, will seek to enlist French support for Italy's efforts to be included in the group of countries creating the European single currency when he meets President Jacques Chirac in Naples for a Franco-Italian summit. The advent of the centre-left government in Italy headed by Mr Prodi has helped put behind one of the worst periods in Franco-Italian relations. This was provoked by Italy voting against French nuclear tests at the UN and personality clashes between Lamberto Dini, the previous Italian prime minister, and Mr Chirac.

Frankfurt book fair opens

The 48th annual international book fair, the world's biggest book market, opens at Frankfurt (to Oct 7). There will be about 6,700 publishers from more than 100 countries. This year's theme is Ireland.

Cycling

World road race championships, Switzerland (to Oct 6).

FT Survey

FT Review of information technology.

Public holidays

China, Guinea, India, Nigeria, St Lucia.

THURSDAY 3

Local elections in Brazil

In the first mid-term electoral test of Fernando Henrique Cardoso, the Brazilian president, more than 100m people vote in municipal elections. Success for Mr Cardoso's supporters in the ballots for 5,508 mayors would boost his hopes of running for a second term in 1998. Brazilian law prohibits the re-election of executive officers. However, with the support of two-thirds of congressmen – who have strong party links with their local government colleagues – the constitution could be changed.

US complains over Fuji

The US has called a special meeting of the World Trade Organisation's dispute settlement body in Geneva to request a WTO panel on alleged restrictions in the Japanese photofilm market. The dispute, which has pitted Eastman Kodak of the US against its Japanese rival Fuji, has already cost both firms millions of dollars in fees. Kodak claims it has lost business worth $5.5bn (£3.53bn) in the past 20 years because of government-backed restrictions to curb the US firm's access to the Japanese market.

Serbian-Bosnian meeting

Slobodan Milosevic, the Serbian president, meets Alija Izetbegovic, the Bosnian Moslem president, in Paris for their first bilateral summit since the war. They are likely to concentrate on establishing full diplomatic relations. Serbian-led Yugoslavia has refused to recognise Bosnia unless it abandons the suit for genocide against the rump state. The two sides will also focus on re-establishing road and rail links.

Horse racing

Middle Park Stakes, Newmarket, England.

FT Survey

A-Z of Business Schools.

Public holidays

Germany, Honduras, South Korea.

FRIDAY 4

Strike in Albania

Albania's Independent Trade Union is to hold a one-day strike in protest against rising inflation and higher bread prices. The move comes in the run-up to local elections on October 20.

FT Survey

South Africa.

Public holidays

Lesotho, Vanuatu.

SATURDAY 5

EU summit in Dublin

EU leaders hold an extraordinary one-day summit in Dublin which France and Germany hope will give a push to the Maastricht 2 negotiations. Britain is taking a hard line ahead of the upcoming general election. The IGC is unlikely to finish until early autumn under the Luxembourg presidency. The Irish plan to have a draft treaty ready by mid-December.

Public holidays

Israel, Macau, Portugal.

SUNDAY 6

Athletics

IAAF world half-marathon championships, Palma, Majorca.

Squash

Women's world championships, Kuala Lumpur, Malaysia (to Oct 19).

Horse racing

One of the world's top races, France's 1½-mile Prix de l'Arc de Triomphe, is run at Longchamp, Paris. Last year's charismatic winner, Lammtarra, sold to Japan for a reputed $30m (£19.2m).

Public holiday

Egypt.

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194

ECONOMIC DIARY

Other economic news

Monday: UK money supply figures and consumer credit data are expected to show continued strength, pointing to buoyancy in the retail sector. Japanese industrial production is expected to have fallen in August.

Tuesday: The US purchasing managers' index is expected to show moderate growth in US industry. The UK purchasing managers' index should show that manufacturing industry is recovering following the recession last winter. Italian GDP is forecast to have fallen in the second quarter.

Wednesday: US construction spending is expected to have recovered last month following a decline in July. German data due this week are expected to show manufacturing orders weakened in August.

Thursday: US factory orders are expected to have weakened last month. Canadian foreign exchange reserves are forecast to have risen slightly in September.

Friday: US jobs data will be examined for signs of stronger growth following the decision by the Federal Reserve to leave interest rates unchanged last week.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Aust'lia	Aug current account	-$1.35bn	-$1.28bn
Sept 30	Japan	Aug construction orders**	-	1.7%
	Japan	Aug housing starts**		21.7%
	Japan	Aug construction starts**		21.2%
	Japan	Aug industrial production†		4.9%
	Japan	Aug shipments†		4.1%
	UK	Sept M0*	0.0%	0.9%
	UK	Sept M0**	6.5%	7.5%
	UK	Aug consumer credit	£800m	£1.06bn
	US	Aug personal income	0.5%	0.1%
	US	Aug personal consumer expenditure	0.5%	0.2%
	US	Aug new home sales	750k	783k
	Sweden	Aug trade balance	Skr5bn	Skr2.5bn
	US	Sept agriculture prices		-1.7%
Tues	Japan	Aug unemployment rate		3.4%
Oct 1	Japan	Aug job offers/seekers ratio		0.72
	Aust'lia	Aug retail trade	-1.0%	2.4%
	Aust'lia	Aug building approvals	0.3%	8.1%
	Japan	Sept car sales**		-2.1%
	Japan	Sept FX reserves*		0.8%
	UK	Sept CIPM		51.8%
	Spain	July producer price index*	0.0%	-0.1%
	Spain	July producer price index**	1.1%	1.3%
	US	Aug leading indicators	0.2%	0.2%
	US	Sept NAPM	53.0%	52.6%

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
	US	Sept domestic car sales	7.2m	7.3m
	US	Sept domestic light truck sales	6.1m	6.5m
Wed	UK	Sept official reserves		-$96m
Oct 2	US	Aug construction spending	0.7%	-1.4%
Thurs	Italy	Aug hourly wages	3.9%	3.9%
Oct 3	US	State benefits w/e Sept 21		249k
	US	Aug factory orders	-1.5%	1.8%
	US	Aug factory inventories		0.2%
	US	Aug home completions		1.43m
Fri	Italy	Q2 gross domestic product**	-0.5%	0.5%
Oct 4	Italy	Q2 gross domestic product*	0.5%	1.5%
	US	Sept non-farm payrolls	175k	250k
	US	Sept manufacturing payrolls	5k	25k
	US	Sept hourly earnings	0.3%	0.5%
	US	Sept average workweek		34.4
	US	Sept unemployment rate	5.3%	5.1%
	Canada	Aug building permits		7.3%
During the week...				
	Germany	Aug manufacturing orders pan-Ger*	-0.4%	0.9%R
	Switz	Sept unemployment rate	4.6%	4.6%
	Germany	Aug industrial product'n, pan-Ger*	0.0%	0.8%R
	Germany	Aug manufacturing output pan-Ger*	0.2%	0.8%R
	Germany	Aug industrial production, West		1.0%R
	Germany	Aug industrial production, East		5.7%R

*month on month, **year on year, ***quarter on quarter, †seas adjusted. Statistics, courtesy MMS International.

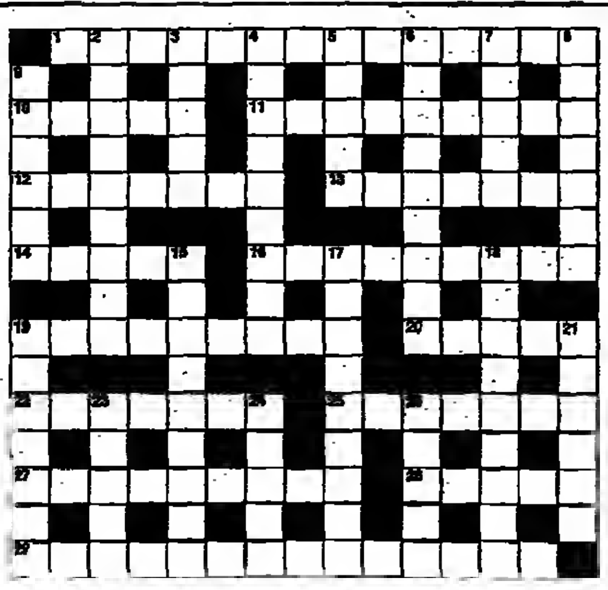
MONDAY PRIZE CROSSWORD

No.9,186 Set by GRIFFIN

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday October 10, marked Monday Crossword 9,186 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday October 14. Please allow 28 days for delivery of prizes.

Name...

Address...



ACROSS

1 Sit in upon every peripatetic teacher (4,10)
10 Trained to help to protect me (5)
11 Cuts delayed payment for eating utensil (9)
12 After halving rate man managed to get capital (7)
13 Tin used in various Thai plants (7)
14 Game caught by man's first shot (5)
16 Doubt miners' leader is liberal! (9)
19 Perverts praise LSD distribution (9)
20 Companion in river reversing vessel (5)
22 Severe GP takes wine cold (7)
25 Pattern using softly spun angora (7)
27 Hope for books about first aid, being pregnant! (9)
28 Learning about one French flower (5)
29 Heard new excuse about performer making a pile? (7,7)

DOWN

2 Fool stands holding speed allowed leaflets (9)
3 Lowest point in Vienna, directly underneath (5)
4 What gaolbirds call each other? (9)
5 Instrument needing crude oil in Virginia (5)
6 Cry as tail is wagging, revealing roguishness (9)
7 Fool paid father to leave nothing inside it (5)
8 Chatting continuously girl turned over picture card (7)
9 Giving some of them a sticky gum (6)
15 Sight glasses with the bottom removed (9)
17 Sailor Paddy takes soldiers' gunpowder ingredient (9)
18 Mixed gin and tonic, nothing unknown (9)
19 Fellow grabbing fudge not fellow causing indignation (7)
21 Man goes round pub to get canned (6)
23 Sip a liquid many used as a relish (5)
24 Look under church seat (5)
26 Roman Catholic priest accepted souvenir (5)

Winners 9,174

E.A.M. Leitch, Glasgow
J.L. Gedge, Bath
M. Gower, Newport Pagnell, Bucks
J.P. Hobbs, Hall Green, Birmingham
R. Lowres, Herons Ghyll, East Sussex
A. Waring, St Leonards on Sea, East Sussex

Solution 9,174

	S	T	R	E	E	T		T	R	A	D	E	R	
	T		E		X				A		S		O	
R	A	I	L	W	A	Y		S	T	A	T	I	O	N
	M		E		C		S		E		R		K	
S	P	L	A	T	T	E	R	E	D		A	N	E	W
			S		N		O				I		R	
	R	E	E	V	E		A	T	L	A	N	T	I	C
	E				S		D		A				E	
F	I	B	R	O	S	I	S		R	A	G	E	S	
	M		O				I		K		C			
A	B	U	T		W	I	D	E	S	P	R	E	A	D
	U		A		A		E		P		I		V	
B	R	I	T	I	S	H		B	U	L	L	D	O	G
	S		E		T				R		L		I	
	E	A	S	T	E	R		I	S	L	A	N	D	

JOTTER PAD

هكذا من الاصل